GOOD TIMES RESTAURANTS INC
Form DEF 14A
September 01, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

GOOD TIMES RESTAURANTS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:
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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
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(1) Amount Previously Paid:

(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

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GOOD TIMES RESTAURANTS INC.

601 Corporate Circle

Golden, Colorado 80401

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held September 30, 2010

To the stockholders of Good Times Restaurants Inc.:

An annual meeting of the stockholders of Good Times Restaurants Inc., a Nevada corporation, will be held at the Good Times Restaurants corporate offices located at 601 Corporate Circle, Golden, Colorado 80401 on September 30, 2010 at 10:00 a.m. Mountain Daylight Time. The purposes of the meeting are to:

1. Elect seven directors to serve during the next year; and

2. Transact any other business which may properly come before the meeting.

The accompanying proxy statement contains additional information about the annual meeting. All stockholders of record at the close of business on April 15, 2010 may vote at the meeting.

All stockholders are cordially invited to attend the meeting. If you do not plan to attend the meeting, please sign, date and promptly return the enclosed proxy card. A business reply envelope is enclosed for your convenience. The delivery of a proxy will not affect your right to vote in person if you attend the meeting.

Sincerely,

Susan M. Knutson

Secretary and Controller

September 1, 2010

PROXY STATEMENT

General: This proxy statement contains information about the annual meeting of stockholders of Good Times Restaurants Inc. to be held at the Good Times Restaurants corporate offices located at 601 Corporate Circle, Golden, Colorado on Friday, September 30, 2010 at 10:00 a.m. Mountain Daylight Time. The Good Times Restaurants Inc. Board of Directors is using this proxy statement to solicit proxies for use at the meeting. This Proxy Statement and the enclosed Proxy Card are being mailed to you on or about September 3, 2010.

The terms "we," "us" and "our" in this proxy statement refer to Good Times Restaurants Inc.

Who can vote: Only stockholders of record at the close of business on the record date of August 5, 2010 are entitled to receive notice of the annual meeting and to vote the shares of our common stock. As of August 5, 2010, there were 3,898,559 shares of our common stock outstanding. Holders of our common stock are entitled to one vote per share. The Company's by-laws do not allow holders to accumulate votes in the election of directors.

The shares represented by all proxies that are properly executed and submitted will be voted at the meeting in accordance with the instructions indicated thereon. Unless otherwise directed, votes will be cast "For" all of the nominees for election as directors and approval of each of the other proposals set forth in this proxy statement.

Revoking a proxy: You may revoke a proxy before the vote is taken at the meeting by:

- Submitting a new proxy with a later date,
- By voting at the meeting, or
- By filing a written revocation with our corporate secretary.

Your attendance at the meeting will not automatically revoke your proxy.

Quorum and voting requirements: Our bylaws provide that a majority of the outstanding shares entitled to vote, represented in person or by proxy, is necessary to constitute a quorum at the annual meeting. Our bylaws also provide that all stockholder actions are to be determined by a majority of votes cast by the stockholders entitled to vote. If a quorum is not present the meeting may be adjourned until a quorum is obtained. The proxies may be voted at any reconvened meeting after any adjournment or postponement of the annual meeting.

Abstentions and broker "non-votes" will be treated as shares that are present for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker is not permitted to vote on a matter without instruction from the beneficial owner of the shares and no instruction is given. Abstentions and broker non-votes will result in the respective proposals receiving fewer votes.

Payment of proxy solicitation costs: All of the expenses involved in preparing and mailing this proxy statement and the enclosed materials and all costs of soliciting proxies will be paid by us. In addition to solicitation by mail, proxies may be solicited by our officers and regular employees by telephone or personal interview. These individuals will not receive any compensation for their services other than their regular salaries. Arrangements will also be made with brokerage houses and other custodians and fiduciaries to forward solicitation materials to the beneficial owners of the shares held on the record date, and we may reimburse those persons for reasonable out-of-pocket expenses incurred by them in so doing.

ITEM 1 FOR VOTING - ELECTION OF DIRECTORS

All directors of Good Times Restaurants are elected annually. At this meeting seven directors are to be elected to serve for the next year or until their successors are elected and qualified. The nominees for directors are identified under the "Nominees" caption below. Each nominee has consented to be named in the proxy statement and to serve as a director if elected. However, if any nominee is unable to serve or for good cause will not serve as a director, each of the persons named in the proxy intend to vote in his or her discretion for a substitute who will be designated by the Board of Directors.

Nominee selection process: Our Board of Directors as a whole acts as the nominating committee for the selection of nominees for election as directors. We do not have a separate standing nominating committee since we require that our director nominees be approved as nominees by a majority of our independent directors. The Board will consider suggestions by stockholders for possible future nominees for election as directors at the next annual meeting when the suggestion is delivered in writing to the corporate secretary of3

Quorum and voting requirements: Our bylaws provide that a majority of theoutstanding shares entitled to vote, repre

Good Times Restaurants by April 15 of the year immediately preceding the annual meeting. No request for a recommended nominee was made by the 2009 deadline by any stockholder or group of stockholders with beneficial ownership of more than 5% of the Company's common stock as indicated in a Schedule 13D or 13G.

The Board selects each nominee, subject to contractual nominee designation and election rights held by certain stockholders, as discussed below, based on the nominee's skills, achievements and experience, with the objective that the Board as a whole should have broad and relevant experience in high policymaking levels in business and a commitment to representing the long-term interests of the stockholders. The Board believes that each nominee should have experience in positions of responsibility and leadership, an understanding of our business environment and a reputation for integrity.

The Board evaluates each potential nominee individually and in the context of the Board as a whole. The objective is to recommend a group that will effectively contribute to our long-term success and represent stockholder interests. In determining whether to recommend a director for re-election, the Board also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.

When seeking candidates for director, the Board solicits suggestions from incumbent directors, management, stockholders or others. The Board does not have a charter for the nominating process.

Communication with the directors: The Board welcomes questions or comments about us and our operations. Those interested may contact the Board as a whole or any one or more specified individual directors by sending a letter to the intended recipients' attention in care of Good Times Restaurants Inc., Corporate Secretary, 601 Corporate Circle, Golden, CO 80401. All such communications other than commercial advertisements will be forwarded to the appropriate director or directors for review.

Nominees: The director nominees of Good Times Restaurants are as follows:

Geoffrey R. Bailey, age 58, has served as a Good Times director since 1996 and is a member of the Special Committee. He is also a director of The Erie County Investment Co., which owns 99% of The Bailey Company. The principal business of The Bailey Company is owning and operating 58 Arby's restaurants as a franchisee, and The Bailey Company has also been a franchisee and joint venture partner of Good Times Restaurants since 1987. Mr. Bailey joined The Erie County Investment Co. in 1979. Mr. Bailey is a graduate of the University of Denver with a Bachelor's Degree in Business Administration.

Ron Goodson**, age 53, has served as a Good Times director since 2005 and is a member of the Compensation Committee. He also is the Vice President & General Manager for the Pepsi Cola Bottling Group's Southwest Market Unit. Mr. Goodson has been with PepsiCo and Pepsi Bottling Group for 30 years where he has held numerous positions with increasing responsibility in more than half a dozen geographical territories. In addition Mr. Goodson has served on the North America Diversity Advisory Board, the PBG Annual Planning Steering Committee and is active with the Company's focus on campus recruiting and retention. Mr. Goodson is a graduate of Wright State University. His current executive board involvement is with the YMCA and The City of Hope.**

David Grissen, age 53, has served as a Good Times director since 2005 and is a member of the Audit Committee. He is President of the Americas for Marriott International, Inc. His specific responsibilities include the financial performance of all of the America's lodging operations comprising more than 2,800 hotels and a work force of 110,000 associates. This includes staff responsibilities for sales and marketing, revenue management, human resources, engineering, room operations, food and beverage/retail/spa, information resources and development. He has 23 years of experience with Marriott. Prior to his current position he served as Executive Vice President of the

Eastern Region for Marriott Lodging; Senior Vice President of the Mid Atlantic Region for Marriott Lodging and Senior Vice President of Finance and Business Development. Mr. Grissen joined Marriott from Dreyer's Grand Ice Cream in 1987, where he served as Director of Finance and Planning. He Holds a B.A. from Michigan State University and a M.B.A. from Loyola University of Chicago.

Boyd E. Hoback, age 54, has served as a Good Times director since 1992 and is President and Chief Executive Officer of Good Times Restaurants, a position which he has held since December 1992 and he has been in the restaurant business since the age of 16. Mr. Hoback has been a vital part of the development of Good Times to a 52-restaurant chain and has been involved in developing all areas of the company. Mr. Hoback is an honors graduate of the University of Colorado in finance.

Eric W. Reinhard, age 51, has served as a Good Times director since 2005 and in addition to serving as Chairman of the Board, Mr. Reinhard also serves as President of the Pepsi Cola Bottler's Association, a beverage association management and consulting association and a position he has held since 2006. Prior to June 2004 he was the General Manager for the Pepsi Bottling Group's Great West Business Unit. While in this role, Mr. Reinhard was also a member of the Pepsi Bottling Group's Chairman's Operating Council, a member of the Food Service Strategic Planning Committee, and a member of The Dr. Pepper Bottler Marketing Committee. Mr. Reinhard joined Pepsi Cola in 1984 after four years with The Proctor & Gamble Distributing Company. Since 1984 he has held several field and headquarters positions including Vice President/General Manager Pepsi-Lipton Tea partnership (JV), General Manager Mid-Atlantic business Unit, Area Vice President Retail Channels, Vice President On-Premise Operations and Area Vice President of Franchise Operations. Mr. Reinhard holds a BA from Michigan State University and has completed the Executive Business Program at the University of Michigan.

Richard J. Stark, age 69, has served as a Good Times director since July 1990. He is Chairman of the Audit Committee, and a member of the Compensation and Special Committees Mr. Stark has spent over 40 years in the investment industry. He is currently President of Boulder Asset Management, a firm that he founded in 1984. From 1982 - 1984, Mr. Stark was the Chief Investment Officer of Interfirst Investment Management in Dallas, Texas and was responsible for all individual asset management at S&P/Intercapital in New York. Mr. Stark is a graduate of Marquette University with a BS in business administration (finance) and has an MBA from the University of Illinois with a major in finance. Mr. Stark received his chartered financial analyst designation in 1974.

Alan A. Teran, age 63, has served as a Good Times director since 1994. He is a member of the Audit, Compensation and Special Committees. Additionally, Mr. Teran has been a Director of Morton's of Chicago since 1993. Mr. Teran is currently a principal in multiple private restaurants. Mr. Teran served as president of Cork & Cleaver from 1975 - 1981 and served as a Director for Boulder Valley National Bank and Charlie Brown's Restaurants. He was one of the first franchisees of Le Peep Restaurants. Mr. Teran graduated from the University of Akron in 1968 with a degree in business.

There are no family relationships among the directors. The Board has determined that of the current directors Geoffrey R. Bailey, Ron Goodson, David Grissen, Richard J. Stark and Alan A. Teran are independent directors under the NASDAQ listing standards.

Geoffrey R. Bailey was originally elected to the Board of Directors pursuant to contractual board representation rights granted to The Bailey Company in connection with its investment in shares of our Series A Convertible Preferred Stock in 1996. Mr. Bailey continues to serve on the Board pursuant to contractual board representation rights held by The Bailey Company and its affiliates ("The Bailey Group") in connection with our Series B Convertible Preferred Stock financing in February 2005, whereby The Bailey Group is currently entitled to elect three members of our Board of Directors, two of whom must be independent directors. Richard J. Stark and Alan A. Teran are the additional members of the Board of Directors and nominees designated by The Bailey Group under these provisions. Accordingly, the votes of The Bailey Group shall be determinative as to the election of Messrs. Bailey, Stark and Teran. The other investors in our Series B Convertible Preferred Stock financing also have board representation rights whereby they are currently entitled to elect three members of our Board of Directors. Ron Goodson, David Grissen and Eric W. Reinhard are the members of the Board of Directors and nominees designated under these provisions. Accordingly, the votes of the other investors in our Series B Convertible Preferred Stock financing shall be determinative as to the election of Messrs. Goodson, Grissen and Reinhard. See "Certain relationships and related transactions" for additional discussion of these provisions. There are no other arrangements or understandings between any current director and any other person under which that director was elected or nominated.

Recommendation of the Board of Directors: The Board of Directors recommends voting "For" electing all of the nominees.

Board Committees

Audit Committee: The Audit Committee currently consists of Messrs. Grissen, Teran and Stark, each of whom are independent directors under the applicable NASDAQ listing standards. The Board has determined that Richard Stark is an audit committee financial expert, as that term is defined by the Securities and Exchange Commission ("SEC") rules. The function of this Committee relates to oversight of the auditors, the auditing, accounting and financial reporting processes and the review of the Company's financial reports and information. In addition, the functions of this Committee have included, among other things, recommending to the Board the engagement or discharge of independent auditors, discussing with the auditors their review of the Company's5 quarterly results and the results of their audit and reviewing the Company's internal accounting controls. The Audit Committee operates pursuant to a written Charter adopted by the Board of Directors. A current copy of the Audit Committee Charter is available on our website at www.goodtimesburgers.com. The Audit Committee held four meetings during fiscal 2009.

Compensation Committee: The Compensation Committee currently consists of Messrs. Goodson, Stark and Teran, each of whom are independent directors under the applicable NASDAQ listing standards. The function of this Committee is to consider and determine all matters relating to the compensation of the President and CEO and other executive officers, including matters relating to the employment agreements. The Compensation Committee held one meeting during fiscal 2009.

The Compensation Committee does not have a Charter. The responsibility of the Compensation Committee is to review and approve the compensation and other terms of employment of our Chief Executive Officer and our other executive officers, including all of the executive officers named in the Summary Compensation Table in this proxy statement (the "Named Executive Officers"). Among its other duties, the Compensation Committee oversees all significant aspects of the Company's compensation plans and benefit programs. The Compensation Committee annually reviews and approves corporate goals and objectives for the Chief Executive Officer's compensation and evaluates the Chief Executive Officer's performance in light of those goals and objectives. The Compensation Committee also recommends to the Board of Directors the compensation and benefits for members of the Board of Directors. The Compensation Committee has also been appointed by the Board of Directors to administer our 2008 Omnibus Equity Incentive Compensation Plan (the "2008 Plan"), which is the successor equity compensation plan to the Company's 2001 Stock Option Plan (the "2001 Plan"). The Compensation Committee does not delegate any of its authority to other persons.

In carrying out its duties, the Compensation Committee participates in the design and implementation and ultimately reviews and approves specific compensation programs. The Compensation Committee reviews and determines the base salaries for the Named Executive Officers, and also approves awards to the Named Executive Officers under the Company's equity compensation plans.

In determining the amount and form of compensation for Named Executive Officers other than the Chief Executive Officer, the Compensation Committee obtains input from the Chief Executive Officer regarding the duties, responsibilities and performance of the other executive officers and the results of performance reviews. The Chief Executive Officer also recommends to the Compensation Committee the base salary levels for all Named Executive Officers and the award levels for all Named Executive Officers under the Company's equity compensation programs. No Named Executive Officer attends any executive session of the Compensation Committee or is present during final deliberations or determinations of such Named Executive Officer's compensation. The Chief Executive Officer also provides input with respect to the amount and form of compensation for the members of the Board of Directors.

The Compensation Committee has the authority to directly engage, at the Company's expense, any compensation consultants or other advisers as it deems necessary to carry out its responsibilities in determining the amount and form of executive and director compensation. For fiscal 2009, the Compensation Committee did not use the services of a compensation consultant or other adviser. However, the Compensation Committee has reviewed surveys, reports and other market data against which it has measured the competitiveness of the Company's compensation programs. In determining the amount and form of executive and director compensation, the Compensation Committee has reviewed and discussed historical salary information as well as salaries for similar positions at comparable companies.

Special Committee: On August 14, 2009 as reported on form 8-K we announced that our Board of Directors has formed a Special Committee comprised of directors Richard Stark, Alan Teran and Geoff Bailey to explore and evaluate strategic alternatives that may be available to enhance shareholder value and explore possible alternatives to reduce the cost burdens of being a publicly held entity. At that time, the Company hired Mastodon Ventures, Inc. to provide strategic advisory services and explore other strategic alternatives that possibly will further the long-term business prospects of the Company and provide incremental value to its shareholders. The foregoing activities are continuing without yet any specific recommended alternatives.

Directors' meetings and attendance: There were six meetings of the Board of Directors held during the last full fiscal year. No member of the Board of Directors attended fewer than 75% of the Board meetings and applicable committee meetings.

Each director attended the 2009 annual meeting of stockholders.

Directors' compensation: Each non-employee director receives $500 for each Board of Directors meeting attended. Members of the Compensation and Audit Committees generally each receive $100 per meeting attended. However, where both Compensation and Audit Committee meetings are held at the same gathering only $100 is paid to directors attending both committee meetings. Additionally, for the fiscal year ended September 30, 2009, each non-employee director received a non-statutory stock option to acquire 2,000 shares of common stock at an exercise price of $1.47.

Audit Committee Report: Good Times Restaurant's management is responsible for the internal controls and financial reporting process for Good Times Restaurants. The independent accountants for Good Times Restaurants are responsible for performing an independent audit of the financial statements in accordance with generally accepted auditing standards and to issue a report on those financial statements. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee met with management and the independent accountants to review and discuss the Good Times Restaurants financial statements for the fiscal year ended September 30, 2009. Management represented to the Audit Committee that the financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the financial statements with management and the independent accountants.

The Audit Committee has discussed with the independent accountants matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees. The Audit Committee has also received the written disclosures and the letter from the independent accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence and the Audit Committee discussed with the independent accountants that firm's independence.

Based on the Audit Committee's review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Good Times Restaurants Annual Report on Form 10-K for the fiscal year ended September 30, 2009 for filing with the SEC.

SUBMITTED BY THE AUDIT COMMITTEE OF THE COMPANY'S BOARD OF DIRECTORS

David Grissen *Richard Stark* *Alan Teran*

Ownership of common stock by principal stockholders and management: The following table shows the beneficial ownership of shares of Good Times Restaurants common stock as of August 5, 2010 by each person known by Good Times Restaurants to be the beneficial owner of more than five percent of the shares of Good Times Restaurants common stock, each director and each executive officer named in the Summary Compensation Table, and all directors and executive officers as a group. The address for the principal stockholders and the Directors and Officers is 601 Corporate Circle, Golden, CO 80401.

	Number of shares beneficially owned	Percent of class**

Holder		
Principal stockholders		
The Bailey Company, LLLP	821,512[1]	21.07%
The Erie County Investment Co.	1,016,192[1]	26.07%
Commonwealth Equity Services LLP	312,913[2]	8.03%
Paul T. Bailey	1,074,192[3]	27.55%
Directors and Officers		
Geoffrey R. Bailey, Director	23,300[4]	*
Ron Goodson, Director	214,497[5]	5.48%
David Grissen, Director	231,999[6]	5.90%
Boyd E. Hoback, Director, President and Chief Executive Officer	133,242[7]	3.30%
Scott G. LeFever, Vice President, Operations	18,790[8]	*
Richard J. Stark, Director	62,103[9]	1.58%
Alan A. Teran, Director	113,206[10]	2.88%
Eric W. Reinhard, Chairman	314,000[11]	7.94%
All directors and executive officers as a group (9 persons including all those named above)	1,127,881[12]	26.34%

1 The Bailey Company is 99% owned by The Erie County Investment Co., which should be deemed the beneficial owner of Good Times Restaurants common stock held by The Bailey Company. The Erie County Investment Co. also owns 194,680 shares of Good Times Restaurants common stock in its own name. Geoffrey R. Bailey is a director and executive officer of The Erie County Investment Co. Geoffrey R. Bailey disclaims beneficial ownership of the shares of Good Times Restaurants common stock held by The Bailey Company and The Erie County Investment Co. See footnote 3 below.

2 The information as to Commonwealth Equity Services LLP ("Commonwealth") and entities controlled directly or indirectly by Commonwealth is derived in part from Schedule 13G, as filed with the Securities and Exchange Commission on December 23, 2005 and most recently amended on February 11, 2009, and information furnished to Good Times separately by Commonwealth.

3 Includes 821,512 shares beneficially owned by The Bailey Company and 194,680 shares held of record by The Erie County Investment Co. Paul T. Bailey is the principal owner of The Erie County Investment Co. and may be deemed the beneficial owner of shares held by The Erie County Investment Co. and The Bailey Company. Paul T. Bailey disclaims beneficial ownership of the shares held by The Erie County Investment Co. and The Bailey Company. Paul T. Bailey is the father of Geoffrey R. Bailey.

4 Includes 14,000 shares underlying presently exercisable stock options.

5 Includes 12,000 shares underlying presently exercisable stock options and 2,497 warrants to purchase stock.

6 Includes 12,000 shares underlying presently exercisable stock options and 19,999 warrants to purchase stock.

7 Includes 88,250 shares underlying presently exercisable stock options

8 Includes 18,790 shares underlying presently exercisable stock options

9 Includes 14,000 shares underlying presently exercisable stock options and 15,003 warrants to purchase stock.

[10] Includes 14,000 shares underlying presently exercisable stock options and 17,501 warrants to purchase stock

[11] Includes 16,500 shares underlying presently exercisable stock options and 37,500 warrants to purchase stock

[12] Does not include shares held beneficially by The Bailey Company and The Erie County Investment Co. If those shares were included, the number of shares beneficially held by all directors and executive officers as a group would be 2,144,073 and the percentage of class would be 50.07%.

* Less than one percent.

** Under SEC rules, beneficial ownership includes shares over which the individual or entity has voting or investment power and any shares which the individual or entity has the right to acquire within sixty days.

Executive officers: The executive officers of Good Times Restaurants are as follows:

Name	Age	Position	Date Began With Company
Boyd E. Hoback	54	President & CEO	September 1987
Susan M. Knutson	51	Controller	September 1987
Scott G. LeFever	52	VP of Operations	September 1987

Boyd E. Hoback. See the description of Mr. Hoback's business experience under "Item 1 For Voting - Election of Directors".

Susan M. Knutson has been Controller since 1993 with direct responsibility for overseeing the accounting department, maintaining cash controls, producing budgets, financials and quarterly and annual reports required to be filed with the Securities and Exchange Commission, acting as the principal financial officer of the Company, and preparing all information for the annual audit.

Scott G. LeFever has been Vice President of Operations since August 1995, and has been involved in all phases of operations with direct responsibility for restaurant service performance, personnel and cost controls.

Executive officers do not have fixed terms and serve at the discretion of the Board of Directors. There are no family relationships among the executive officers, directors or director nominees.

Code of Ethics: Good Times Restaurants has adopted a Code of Business Conduct which applies to all directors, officers, employees and franchisees of Good Times Restaurants. The Code of Business Conduct was filed with the SEC as an exhibit to the Annual Report on Form 10-KSB for the fiscal year ended September 30, 2003 and is also available on our website.

Executive Compensation: The following table sets forth compensation information for 2009 and 2008 with respect to the named executive officers:

Summary Compensation Table for 2009 and 2008

Name and Principal Position	Year	Salary $	Bonus $	Stock Awards $	Option Awards $[3]	Non-Equity Incentive Plan Compensation $	Nonqualified Deferred Compensation Earnings $	All Other Compensation $	Total $
Boyd E. Hoback	2009	162,083	–	–	25,118	–	–	16,073[1]	203,274
President and Chief Executive Officer	2008	193,400	–	–	17,436	–	–	17,754[1]	228,590
Scott G. LeFever	2009	101,667	–	–	9,979	–	–	11,477[2]	123,123
Vice President of Operations	2008	119,775	5,481	–	5,277	–	–	11,262[2]	141,795

[1] The amount indicated for Mr. Hoback includes an automobile allowance, long-term disability and 401(K) Plan matching contributions.

[2] The amount indicated for Mr. LeFever includes an automobile allowance, long-term disability, personal expenses and 401(K) Plan matching contributions.

[3] The value of stock option awards shown in this column includes all amounts expensed in the Company's financial statements in 2008 and 2009 for equity awards in accordance with the guidance of FASB ASC 718-10-30, Compensation - Stock Compensation, excluding any estimate for forfeitures. The Company's accounting treatment for, and assumptions made in the valuations of, equity awards is set forth in Note 1 of the notes to the Company's 2009 consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009. There were no option awards re-priced in 2009.

There were no shares of SARs granted during 2009 or 2008 nor has there been any nonqualified deferred compensation paid to any named executive officers during 2009 or 2008. The Company does not have any plans that provide for specified retirement payments and benefits at, following or in connection with retirement.

The following table sets forth information as of September 30, 2009 on all unexercised options previously awarded to the named executive officers:

Outstanding Equity Awards at 2009 Fiscal Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options -Exercisable (#)	Number of Securities Underlying Unexercised Options -Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price $	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Boyd E.	19,231	-	-	$3.12	10/01/09	-	-	-	-
Hoback	2,500	-	-	$1.38	10/01/10	-	-	-	-
	50,000	-	-	$1.75	10/01/11	-	-	-	-
	3,750	-	-	$2.70	10/01/12	-	-	-	-
	3,900	-	-	$3.60	10/01/13	-	-	-	-
	12,000	-	-	$3.11	10/01/14	-	-	-	-
	8,500	-	-	$5.68	10/01/15	-	-	-	-
	5,700	13,300 (1)	-	$6.38	11/17/16	-	-	-	-
	0	28,503 (2)	-	$1.47	11/14/18	-	-	-	-
Scott G.									
LeFever	1,260	-	-	$2.70	10/01/12	-	-	-	-
	2,580	-	-	$3.60	10/01/13	-	-		

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Part I (Continued)
Item 1 (Continued)

BANK REGULATION

General

The Bank is a commercial bank chartered under the laws of the State of Georgia, and as such is subject to supervision, regulation and examination by the Georgia Department. The Bank is a member of the FDIC, and their deposits are insured by the FDIC’s Deposit Insurance Fund up to the amount permitted by law. The FDIC and the Georgia Department routinely examine the Bank and monitor and regulate all of the Bank’s operations, including such things as adequacy of reserves, quality and documentation of loans, payments of dividends, capital adequacy, adequacy of systems and controls, credit underwriting and asset liability management, compliance with laws and establishment of branches. Interest and other charges collected or contracted for by the Bank is subject to state usury laws and certain federal laws concerning interest rates. The Bank files periodic reports with the FDIC and the Georgia Department.

BUSINESS
Recent Developments

On October 21, 2010, the Board of Directors of the Company’s subsidiary bank, Colony Bank (the “Bank”), received notification from its primary regulators, the Georgia Department of Banking and Finance (“the Georgia Department”) and the FDIC that the Bank’s latest examination results require a program of corrective action as outlined in a proposed Memorandum of Understanding (“MOU”). An MOU is characterized by the supervising authorities as an informal action that is neither published nor made publically available by the supervising authorities and is used when circumstances do not warrant formal supervisory action. An MOU is not a “written agreement” for purposes of Section 8 of the Federal Deposit Insurance Act. The Board of Directors entered into the MOU at its regularly scheduled monthly meeting on November 16, 2010 with the effective date of the MOU being November 23, 2010. At December 31, 2011, the Bank is in compliance with terms of the MOU.

The MOU requires the Bank to develop, implement and maintain various processes to improve the Bank’s risk management of its loan portfolio, reduce adversely classified loans subject to certain exceptions, adopt a written plan to properly monitor and reduce the Bank’s commercial real estate concentration, continue to maintain the Bank’s loan loss provision and review its adequacy at least quarterly, and formulate and implement a written plan to improve and maintain earnings to be forwarded for review by the Georgia Department and FDIC. The Bank is also required to obtain approval before any cash dividends can be paid.

The Bank has also agreed to have and maintain minimum capital ratios at specified levels higher than those otherwise required by applicable regulations as follows: Tier 1 capital to total average assets of 8% and total risk-based capital to total risk-weighted assets of 10%. At December 31, 2011, the Bank’s capital ratios were 9.38% and 16.29%, respectively.

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Transactions with Affiliates and Insiders

The Company is a legal entity separate and distinct from the Bank. Various legal limitations restrict the Bank from lending or otherwise supplying funds to the Company and other nonbank subsidiaries of the Company, all of which are deemed to be "affiliates" of the Bank for the purposes of these restrictions. The Company and the Bank are subject to Section 23A of the Federal Reserve Act. Section 23A defines "covered transactions," which include extensions of credit, and limits a bank's covered transactions with any affiliate to 10 percent of such bank's capital and surplus and with all affiliates to 20 percent of such bank's capital and surplus. All covered and exempt transactions between a bank and its affiliates must be on terms and conditions consistent with safe and sound banking practices, and banks and their subsidiaries are prohibited from purchasing low-quality assets from the bank's affiliates. Finally, Section 23 A requires that all of a bank's extensions of credit to an affiliate be appropriately secured by acceptable collateral, generally United States government or agency securities. The Company and the Bank are also subject to Section 23B of the Federal Reserve Act, which generally limits covered and other transactions between a bank and its affiliates to terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the bank as prevailing at the time for transactions with unaffiliated companies. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enhances the requirements for certain transactions with affiliates under Section 23A and 23B, including an expansion of the definition of "covered transactions" and increasing the amount of time for which collateral requirements regarding covered transactions must be maintained. The Bank is also subject to restrictions on extensions of credit to its executive officers, directors, principal shareholders and their related interests. These extensions of credit (1) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and (2) must not involve more than the normal risk of repayment or present other unfavorable features. Effective July 21, 2011, an insured depository institution is prohibited from engaging in asset purchases or sales transactions with its officers, directors or principal shareholders unless on market terms and, if the transaction represents greater than 10 percent of the capital and surplus of the bank, it has been approved by a majority of the disinterested directors.

Dividends

The Company is a legal entity separate and distinct from the Bank. The principal source of the Company's cash flow, including cash flow to pay dividends to its stockholders, is dividends that the Bank pays to it. Statutory and regulatory limitations apply to the Bank's payment of dividends to the Company as well as to the Company's payment of dividends to its stockholders. Pursuant to MOU entered into with the Georgia Department and the FDIC, the Bank is required to obtain approval from these regulators before any cash dividends can be paid. The Company is also a participant in the U.S. Treasury Capital Program and certain restrictions on the payment of dividends to stockholders apply.

Under the terms of the TARP CPP, for so long as any preferred stock issued under the TARP CPP remains outstanding, the Company is prohibited from increasing dividends on its common stock, and from making certain repurchases of equity securities, including its common stock, without the U.S. Treasury's consent until the third anniversary of the U.S. Treasury's investment or until the U.S. Treasury has transferred all of the preferred stock it purchased under the TARP CPP to third parties. As long as the preferred stock issued to the U.S. Treasury is outstanding, as well as the Company's Series A Preferred Stock, dividend payments and repurchases or redemptions relating to certain equity securities, including the Company's common stock, are also prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions.

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A variety of federal and state laws and regulations affect the ability of the Bank and the Company to pay dividends. A depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. The federal banking agencies may prevent the payment of a dividend if they determine that the payment would be unsafe and unsound banking practice. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. In addition, regulations promulgated by the Georgia Department limit the Bank's payment of dividends.

Mortgage Banking Regulation

Colony Mortgage Corp is licensed and regulated as a "mortgage banker" by the Georgia Department. It is also qualified as a Fannie Mae and Freddie Mac seller/servicer and must meet the requirements of such corporations and of the various private parties with which it conducts business, including warehouse lenders and those private entities to which it sells mortgage loans.

Enforcement Policies and Actions

Federal law gives the Federal Reserve and FDIC substantial powers to enforce compliance with laws, rules and regulations. Bank or individuals may be ordered to cease and desist from violations of law or other unsafe or unsound practices. The agencies have the power to impose civil money penalties against individuals or institutions of up to $1,000,000 per day for certain egregious violations. Persons who are affiliated with depository institutions can be removed from any office held in that institution and banned from participating in the affairs of any financial institution. The banking regulators have not hesitated to use the enforcement authorities provided in federal law.

Capital Regulations

The federal bank regulatory authorities have adopted capital guidelines for banks and bank holding companies. In general, the authorities measure the amount of capital an institution holds against its assets. There are three major capital tests: (i) the Total Capital ratio (the total of Tier 1 Capital and Tier 2 Capital measured against risk-adjusted assets), (ii) the Tier 1 Capital ratio (Tier 1 Capital measured against risk-adjusted assets) and (iii) the leverage ratio (Tier 1 Capital measured against average (i.e., nonrisk-weighted) assets).

Tier 1 Capital consists of common equity, retained earnings and a limited amount of qualifying preferred stock, less disallowed deferred tax assets, goodwill and core deposit intangibles. Tier 2 Capital consists of nonqualifying preferred stock, qualifying subordinated, perpetual and/or mandatory convertible debt, term subordinated debt and intermediate term preferred stock and up to 45 percent of the pretax unrealized holding gains on available-for-sale equity securities with readily determinable market values that are prudently valued, and a limited amount of any loan loss allowance.

In measuring the adequacy of capital, assets are generally weighted for risk. Certain assets, such as cash and U.S. government securities, have a zero risk weighting. Others, such as commercial and consumer loans, have a 100 percent risk weighting. Risk weightings are also assigned for off-balance sheet items such as loan commitments. The various assets are multiplied by the appropriate risk-weighting to determine risk-adjusted assets for the capital calculations. For the leverage ratio mentioned above, average assets are not risk-weighted.

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The federal banking agencies must take “prompt corrective action” in respect of depository institutions that do not meet minimum capital requirements. There are five tiers for financial institutions: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” Under these regulations, a bank will be:

- “well capitalized” if it has a Total Capital ratio of 10 percent or greater, a Tier 1 Capital ratio of 6 percent or greater, a leverage ratio of 5 percent or better - or 4 percent in certain circumstances - and is not subject to any written agreement, order, capital directive, or prompt corrective action directive by a federal bank regulatory agency to meet and maintain a specific capital level for any capital measure;

- “adequately capitalized” if it has a Total Capital ratio of 8 percent or greater, a Tier 1 Capital ratio of 4 percent or greater, and a leverage ratio of 4 percent or greater - or 3 percent in certain circumstances - and is not well capitalized;

- “undercapitalized” if it has a Total Capital ratio of less that 8 percent, a Tier 1 Capital ratio of less that 4 percent - or 3 percent in certain circumstances;

- “significantly undercapitalized” if it has a Total Capital ratio of less than 6 percent or a Tier 1 Capital ratio of less than 3 percent, or a leverage ratio of less than 3 percent; or

- “critically undercapitalized” if its tangible equity is equal to or less than 2 percent of average quarterly assets.

Federal law generally prohibits a depository institution from making any capital distribution, including the payment of a dividend or paying any management fee to its holding company if the depository institution would be undercapitalized as a result. Undercapitalized depository institutions may not accept brokered deposits absent a waiver from the FDIC, are subject to growth limitations and are required to submit a capital restoration plan for approval. For a capital restoration plan to be acceptable, the depository institution’s parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of 5 percent of the depository institution’s total assets at the time it became undercapitalized, and the amount necessary to bring the institution into compliance with applicable capital standards. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. If the controlling holding company fails to fulfill its obligations under this law and files, or has filed against it, a petition under the federal Bankruptcy Code, the FDIC claim related to the holding company’s obligations would be entitled to a priority in such bankruptcy proceeding over third party creditors of the bank holding company.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

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At December 31, 2011, the Company exceeded the minimum Tier 1, risk-based and leverage ratios and qualified as “well capitalized” under current Federal Reserve Board criteria. The following table sets forth certain capital information for the Company as of December 31, 2011. As of December 31, 2011, Colony had Tier 1 Capital and Total Capital of approximately 15.24 percent and 16.50 percent, respectively, of risk-weighted assets. As of December 31, 2011, Colony had a leverage ratio of Tier 1 Capital to total average assets of approximately 9.51 percent.

	December 31, 2011		
	Amount	Percent	
Leverage Ratio			
Actual	$ 109,822	9.51	%
Well-Capitalized Requirement	57,731	5.00	
Minimum Required (1)	46,185	4.00	
Risk Based Capital:			
Tier 1 Capital			
Actual	109,822	15.24	
Well-Capitalized Requirement	43,244	6.00	
Minimum Required (1)	28,829	4.00	
Total Capital			
Actual	118,913	16.50	
Well-Capitalized Requirement	72,073	10.00	
Minimum Required (1)	57,658	8.00	

(1) Represents the minimum requirement. Institutions that are contemplating acquisitions or anticipating or experiencing significant growth may be required to maintain a substantially higher leverage ratio.

The guidelines also provide that institutions experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Higher capital may be required in individual cases, depending upon a bank or bank holding company’s risk profile. All bank holding companies and banks are expected to hold capital commensurate with the level and nature of their risks, including the volume and severity of their problem loans. Lastly, the Federal Reserve’s guidelines indicate that the Federal Reserve will continue to consider a “Tangible Tier 1 Leverage Ratio,” calculated by deducting all intangibles, in evaluating proposals for expansion or new activity.

FDIC Insurance Assessments

The Bank’s deposits are insured by the Deposit Insurance Fund (the “DIF”) of the FDIC up to the maximum amount permitted by law, which was permanently increased to $250,000 by the Dodd-Frank Act. The FDIC uses the DIF to protect against the loss of insured deposits if an FDIC-insured bank or savings association fails. Pursuant to the Dodd-Frank Act, the FDIC must take steps, as necessary, for the DIF reserve ratio to reach 1.35 percent of estimated insured deposits by September 30, 2020. The Bank is thus subject to FDIC deposit premium assessments.

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Recent depository institutional failures have resulted in a decline in the targeted amount of funds in the DIF mandated by law. In 2009, the FDIC undertook several measures in an effort to replenish the DIF. It imposed a 5 basis point emergency assessment on insured depository institutions that was paid on September 30, 2009. In the fourth quarter of 2009 the FDIC adopted a rule that, in lieu of any further special assessment in 2009, required all insured depository institutions, with limited exceptions, to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The prepaid assessments were to be applied against future quarterly assessments until the prepaid assessment is exhausted or the balance is returned, whichever occurs first. This assessment totaled $6.3 million for the Bank. At December 31, 2011, the remainder of the prepaid assessment available to be applied toward future assessments totaled $2.81 million and is included in Other Assets on the Company's consolidated balance sheet.

On April 1, 2011, new regulations became effective which redefined the assessment base used for calculating deposit insurance assessments. Rather than the previous system, whereby the deposit insurance assessment was calculated using an institution's total domestic deposits, less a few allowable exclusions, the new assessment base is calculated using average total assets of the institution minus average tangible equity (Tier 1 Capital). The FDIC continues to utilize a risk-based assessment system in which institutions will be subject to assessment rates ranging from 2.5 to 45 basis points, subject to adjustments for unsecured debt and, in certain cases, brokered deposits.

In October 2010, the FDIC adopted a new DIF restoration plan to ensure that the fund reserve ratio reaches 1.35 percent by September 30, 2020, as required by the Dodd-Frank Act. At least semi-annually, the FDIC will update its loss and income projections for the fund and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking if required.

The FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Community Reinvestment Act

The Bank is subject to the provisions of the Community Reinvestment Act of 1977, as amended (the CRA), and the federal banking agencies' related regulations. Under the CRA, all banks and thrifts have a continuing and affirmative obligation, consistent with safe and sound operation, to help meet the credit needs for their entire communities, including low- and moderate-income neighborhoods. The CRA requires a depository institution's primary federal regulator, in connection with its examination of the institution or its evaluation of certain regulatory applications, to assess the institution's record in assessing and meeting the credit needs of the community served by that institution, including low- and moderate-income neighborhoods. The regulatory agency's assessment of the institution's record is made available to the public.

Current CRA regulations rate institutions based on their actual performance in meeting community credit needs. The Bank received a "satisfactory" rating on its most recent examination in 2011.

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Consumer Regulations

Interest and other charges collected or contracted for by the Bank is subject to state usury laws and certain federal laws concerning interest rates. The Bank's loan operations are also subject to federal laws and regulations applicable to credit transactions, such as those:

- Governing disclosures of credit terms to consumer borrowers;
- Requiring financial institutions provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Governing the use and provision of information to credit reporting agencies; and
- Governing the manner in which consumer debts may be collected by collection agencies.

The deposit operations of the Bank is also subject to laws and regulations that:

- Impose a duty to maintain the confidentiality of consumer financial records and prescribe procedures for complying with administrative subpoenas of financial records; and
- Govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

The Consumer Financial Protection Bureau

The Dodd-Frank Act creates the Consumer Financial Protection Bureau (the "Bureau") within the Federal Reserve Board. The Bureau is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The Bureau has rulemaking authority over many of the statutes governing products and services offered to bank consumers. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are more stringent than those regulations promulgated by the Bureau and state attorneys general are permitted to enforce consumer protection rules adopted by the Bureau against state-chartered institutions.

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Fiscal and Monetary Policy

Banking is a business that depends on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, and the interest received by a bank on its loans and securities holdings, constitutes the major portion of a bank's earnings. Thus, Colony's earnings and growth and that of the Bank will be subject to the influence of economic conditions, generally both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of money through various means, including open market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve and the reserve requirements on deposits.

The monetary policies of the Federal Reserve historically have had a significant effect on the operating results of commercial banks and mortgage banking operations and will continue to do so in the future. The Company cannot predict the conditions in the national and international economies and money markets, the actions and changes in policy by monetary and fiscal authorities or their effect on the Bank.

Financial Privacy

The federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering and the USA Patriot Act

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the "USA Patriot Act") substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has issued and, in some cases, proposed a number of regulations that apply various requirements of the USA Patriot Act to financial institutions such as the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Certain of those regulations impose specific due diligence requirements on financial institutions that maintain correspondent or private banking relationships with non-U.S. financial institutions or persons. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the Company.

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Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Legislative and Regulatory Initiatives

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company. A change in statutes, regulations or regulatory policies applicable to the Company or any of its subsidiaries could have a material effect on the business of the Company.

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Item 1A

Risk Factors

Not Applicable.

Item 1B

Unresolved Staff Comments

Not Applicable.

Item 2

Properties

The principal properties of the Registrant consist of the properties of the Bank. The Bank owns all of the offices occupied except two offices in Tifton, one office in Valdosta, one office in Douglas and one office in Albany that are leased.

Item 3

Legal Proceedings

The Company and its subsidiary may become parties to various legal proceedings arising from the normal course of business. As of December 31, 2011, there are no material pending legal proceedings to which Colony or its subsidiary are a party or of which any of its property is the subject.

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Mine Safety Disclosures

Not Applicable.

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Item 5

Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

Effective April 2, 1998, Colony Bankcorp, Inc. common stock is quoted on the NASDAQ Global Market under the symbol "CBAN." Prior to this date, there was no public market for the common stock of the registrant.

The following table sets forth the high, low and close sale prices per share of the common stock as reported on the NASDAQ Global Market, and the dividends declared per share for the periods indicated.

Year Ended December 31, 2011	High	Low	Close
Fourth Quarter	$2.79	$1.99	$2.24
Third Quarter	3.48	2.40	2.63
Second Quarter	4.24	2.72	2.87
First Quarter	4.50	4.01	4.15
Year Ended December 31, 2010			
Fourth Quarter	4.97	3.76	4.03
Third Quarter	7.00	4.50	4.50
Second Quarter	9.25	5.90	7.00
First Quarter	6.06	3.50	5.84

No cash dividends were paid on its common stock in 2010 or 2011. The Company's board of directors suspended the payment of dividends in the third quarter of 2009. For a description of the restrictions and limitations on the Company's ability to pay dividends, please see "Dividends" on Page 17.

As of December 31, 2011, the Company had approximately 2,137 stockholders of record.

On March 30, 2010, Colony Bankcorp, Inc. accepted the subscriptions of several investors in a private placement offering to accredited investors under an exemption from registration contained in Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D under the Securities Act. The Company offered a maximum of 1,216,545 shares of its common stock at a price of $4.11-$4.50 per share. The price for non-affiliates was determined using a twenty day average trading price as quoted on NASDAQ Stock Market immediately prior to the beginning of the offering. All of the shares were purchased for a total of $5.08 million, less offering expenses of approximately $20,000. The offering was closed March 30, 2010.

Issuer Purchase of Equity Securities

The Company purchased no shares of the Company's common stock during the quarter ended December 31, 2011.

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Selected Financial Data

	Year Ended December 31				
	2011	2010	2009	2008	2007
	(Dollars in Thousands, except per share data)				
Selected Balance Sheet Data					
Total Assets	$1,195,376	$1,275,658	$1,307,089	$1,252,782	$1,208,777
Total Loans, Net of Unearned Interest and Fees	716,264	813,189	931,252	960,857	944,978
Total Deposits	999,985	1,059,124	1,057,586	1,006,991	1,018,602
Investment Securities	303,937	303,886	267,300	207,704	167,191
Federal Home Loan Bank Stock	5,398	6,064	6,345	6,272	5,533
Stockholders' Equity	96,613	92,959	89,275	83,215	83,743
Selected Income Statement Data					
Interest Income	51,793	58,738	65,847	75,297	90,159
Interest Expense	16,806	21,523	26,281	37,922	47,701
Net Interest Income	34,987	37,215	39,566	37,375	42,458
Provision for Loan Losses	8,250	13,350	43,445	12,938	5,931
Other Income	9,951	10,006	9,544	9,005	7,817
Other Expense	33,051	33,856	34,844	30,856	31,579
Income (Loss) Before Tax	3,637	15	(29,179)	2,586	12,765
Income Tax Expense (Benefit)	1,104	(459)	(9,995)	557	4,218
Net Income (Loss)	2,533	474	(19,184)	2,029	8,547
Preferred Stock Dividends	1,400	1,400	1,365	-	-
Net Income (Loss) Available to Common Stockholders	$1,133	$(926)	$(20,549)	$2,029	$8,547
Weighted Average Common Shares Outstanding	8,439	8,149	7,213	7,199	7,189
Shares Outstanding	8,439	8,443	7,229	7,212	7,201
Intangible Assets	$259	$295	$331	$2,779	$2,815
Dividends Declared	-	-	1,057	2,814	2,629
Average Assets	1,205,891	1,269,607	1,286,418	1,204,846	1,204,165
Average Stockholders' Equity	94,737	94,452	105,655	84,372	80,595
Net Charge-Offs	20,880	16,471	29,060	11,435	2,407
Reserve for Loan Losses	15,650	28,280	31,401	17,016	15,513
OREO	20,445	20,208	19,705	12,812	1,332
Nonperforming Loans	38,837	28,921	33,566	35,374	15,016
Nonperforming Assets	59,708	49,262	53,403	48,186	16,348
Average Interest-Earning Assets	1,132,523	1,199,216	1,218,153	1,144,927	1,141,652
Noninterest-Bearing Deposits	94,269	102,959	84,239	77,497	86,112

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	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(Dollars in Thousands, except per share data)				
Per Share Data:					
Net Income (Loss) Per Common Share (Diluted)	$0.13	$(0.11)	$(2.85)	$0.28	$1.19
Common Book Value Per Share	8.17	7.75	8.57	11.54	11.63
Tangible Common Book Value Per Share	8.14	7.72	8.52	11.15	11.24
Dividends Per Common Share	0.00	0.00	0.15	0.39	0.365
Profitability Ratios:					
Net Income (Loss) to Average Assets	0.09%	(0.07)%	(1.60)%	0.17%	0.71%
Net Income (Loss) to Average Stockholders' Equity	1.20	(0.98)	(19.45)	2.40	10.60
Net Interest Margin	3.11	3.12	3.27	3.30	3.75
Loan Quality Ratios:					
Net Charge-Offs to Total Loans	2.92	2.03	3.12	1.19	0.25
Reserve for Loan Losses to Total Loans and OREO	2.12	3.39	3.30	1.75	1.64
Nonperforming Assets to Total Loans and OREO	8.10	5.91	5.62	4.95	1.73
Reserve for Loan Losses to Nonperforming Loans	40.30	97.78	93.55	48.10	103.31
Reserve for Loan Losses to Total Nonperforming Assets	26.21	57.41	58.80	35.31	94.89
Liquidity Ratios:					
Loans to Total Deposits	71.63	76.78	88.06	95.42	92.77
Loans to Average Earning Assets	63.24	67.81	76.45	83.92	82.77
Noninterest-Bearing Deposits to Total Deposits	9.43	9.72	7.97	7.70	8.45
Capital Adequacy Ratios:					
Common Stockholders' Equity to Total Assets	5.77	5.13	4.74	6.64	6.93
Total Stockholders' Equity to Total Assets	8.08	7.29	6.83	6.64	6.93
Dividend Payout Ratio	0.00	NM(1)	NM(1)	139.29	30.67

(1) Not meaningful due to net loss recorded.

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Part II (Continued)
Item 7

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements and Factors that Could Affect Future Results

Certain statements contained in this Annual Report that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in the Company's future filings with the SEC, in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans and objectives of Colony Bankcorp, Inc. or its management or Board of Directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted" and simi expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- Local and regional economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- The effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board.
- Inflation, interest rate, market and monetary fluctuations.
- Political instability.
- Acts of war or terrorism.
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users.
- Changes in consumer spending, borrowings and savings habits.
- Technological changes.
- Acquisitions and integration of acquired businesses.
- The ability to increase market share and control expenses.

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- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiaries must comply.

- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters.

- Changes in the Company's organization, compensation and benefit plans.

- The costs and effects of litigation and of unexpected or adverse outcomes in such litigation.

- Greater than expected costs or difficulties related to the integration of new lines of business.

- The Company's success at managing the risks involved in the foregoing items.

- Restrictions or conditions imposed by our regulators on our operations, including the terms of our Memorandum of Understanding.

Forward-looking statements speak only as of the date on which such statements are made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

The Company

Colony Bankcorp, Inc. (Colony) is a bank holding company headquartered in Fitzgerald, Georgia that provides, through its wholly-owned subsidiary (collectively referred to as the Company), a broad array of products and services throughout 18 Georgia markets. The Company offers commercial, consumer and mortgage banking services.

Application of Critical Accounting Policies and Accounting Estimates

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The Company's financial position and results of operations are affected by management's application of accounting policies, including judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company's financial position and/or results of operations. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Company's financial condition and results of operations, and they require management to make estimates that are difficult and subjective or complete.

Allowance for Loan Losses – The allowance for loan losses provides coverage for probable losses inherent in the Company's loan portfolio. Management evaluates the adequacy of the allowance for loan losses quarterly based on changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, regulatory guidance and economic factors. This evaluation is inherently subjective, as it requires the use of significant management estimates. Many factors can affect management's estimates of specific and expected losses, including volatility of default probabilities, collateral values, rating migrations, loss severity and economic and political conditions. The allowance is increased through provisions charged to operating earnings and reduced by net charge-offs.

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The Company determines the amount of the allowance based on relative risk characteristics of the loan portfolio. The allowance recorded for loans is based on reviews of individual credit relationships and historical loss experience. The allowance for losses relating to impaired loans is based on the loan's observable market price, the discounted cash flows using the loan's effective interest rate, or the value of collateral for collateral dependent loans.

Regardless of the extent of the Company's analysis of customer performance, portfolio trends or risk management processes, certain inherent but undetected losses are probable within the loan portfolio. This is due to several factors, including inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions, the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends. Volatility of economic or customer-specific conditions affecting the identification and estimation of losses for larger nonhomogeneous credits and the sensitivity of assumptions utilized to establish allowances for homogeneous groups of loans are among other factors. The Company estimates a range of inherent losses related to the existence of these exposures. The estimates are based upon the Company's evaluation of risk associated with the commercial and consumer levels and the estimated impact of the current economic environment.

Other Real Estate Owned and Foreclosed Assets

Other real estate owned or other foreclosed assets acquired through loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for loan losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined that fair value declines subsequent to foreclosure, the valuation allowance is adjusted through a charge to noninterest expense. Operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and recognized in noninterest expense. Management obtains appraisals performed by certified, third-parties within one year of placing a property into OREO. The fair value of the property is then evaluated by management annually going forward, or more often if necessary. Annual evaluations may be performed by certified third parties, or internally by management comparing recent sales of similar properties within the Company's OREO portfolio.

Overview

The following discussion and analysis presents the more significant factors affecting the Company's financial condition as of December 31, 2011 and 2010, and results of operations for each of the years in the three-year period ended December 31, 2011. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements, notes thereto and other financial information appearing elsewhere in this report.

Taxable-equivalent adjustments are the result of increasing income from tax-free loans and investments by an amount equal to the taxes that would be paid if the income were fully taxable based on a 34 percent federal tax rate, thus making tax-exempt yields comparable to taxable asset yields.

Dollar amounts in tables are stated in thousands, except for per share amounts.

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Results of Operations

The Company's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since market forces and economic conditions beyond the control of the Company determine interest rates, the ability to generate net interest income is dependent upon the Company's ability to obtain an adequate spread between the rate earned on earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average earning assets. Net income (loss) available to common shareholders totaled $1.13 million, or $0.13 per diluted common share in 2011 compared to $(0.93) million, or $(0.11) diluted per common share in 2010 compared to $(20.55) million, or $(2.85) diluted per common share in 2009.

Selected income statement data, returns on average assets and average equity and dividends per share for the comparable periods were as follows:

	2011	2010	2009
Taxable-Equivalent Net Interest Income	$35,178	$37,393	$39,848
Taxable-Equivalent Adjustment	191	178	282
Net Interest Income	34,987	37,215	39,566
Provision for Loan Losses	8,250	13,350	43,445
Noninterest Income	9,951	10,007	9,544
Noninterest Expense	33,051	33,857	34,844
Income (Loss) Before Income Taxes	3,637	15	(29,179)
Income Taxes (Benefits)	1,104	(459)	(9,995)
Net Income (Loss)	$2,533	$474	$(19,184)
Preferred Stock Dividends	1,400	1,400	1,365
Net Income (Loss) Available to Common Stockholders	$1,133	$(926)	$(20,549)
Basic per Common Share:			
Net Income (Loss)	$0.13	$(0.11)	$(2.85)
Diluted per Common Share:			
Net Income (Loss)	$0.13	$(0.11)	$(2.85)
Return on Average Assets:			
Net Income (Loss)	0.09 %	(0.07)%	(1.60)%
Return on Average Equity:			
Net Income (Loss)	1.20 %	(0.98)%	(19.45)%

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Net income available to common shareholders for 2011 increased $2.06 million, or 222.35 percent, compared to 2010. The increase was primarily the result of a $5.1 million decrease in provision for loan losses and a decrease of $805 thousand in noninterest expense. The impact of these items was partly offset by a $2.23 million decrease in net interest income, a decrease of $55 thousand in noninterest income and an increase of $1.56 million in income tax expense.

Net loss available to common shareholders for 2010 decreased $19.62 million, or 95.49 percent, compared to 2009. The decrease was primarily the result of a $30.10 million decrease in provision for loan losses, an increase of $462 thousand in noninterest income and a decrease of $988 thousand in noninterest expense. The impact of these items was partly offset by a $2.35 million decrease in net interest income, a $35 thousand increase in preferred stock dividends, and an increase of $9.54 million in income tax expense. The increase in income tax expense resulted in an income tax benefit of $459 thousand.

Details of the changes in the various components of net income are further discussed below.

Net Interest Income

Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest income is the Company's largest source of revenue, representing 77.86 percent of total revenue during 2011 and 78.81 percent during 2010.

Net interest margin is the taxable-equivalent net interest income as a percentage of average earning assets for the period. The level of interest rates and the volume and mix of earning assets and interest-bearing liabilities impact net interest income and net interest margin.

The Federal Reserve Board influences the general market rates of interest, including the deposit and loan rates offered by many financial institutions. The Company's loan portfolio is significantly affected by changes in the prime interest rate. The prime interest rate, which is the rate offered on loans to borrowers with strong credit is currently 3.25 percent and has been for the past three years. The federal funds rate moved similar to prime rate with interest rates currently at 0.25 percent and has been for the past three years. We anticipate the Federal Reserve maintaining its current interest rate policy in 2012, which should benefit Colony's net interest margin.

The following table presents the changes in taxable-equivalent net interest income and identifies the changes due to differences in the average volume of earning assets and interest-bearing liabilities and the changes due to changes in the average interest rate on those assets and liabilities. The changes in net interest income due to changes in both average volume and average interest rate have been allocated to the average volume change or the average interest rate change in proportion to the absolute amounts of the change in each. The Company's consolidated average balance sheets along with an analysis of taxable-equivalent net interest earnings are presented in the Quantitative and Qualitative Disclosures About Market Risk included elsewhere in this report.

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Rate/Volume Analysis

The rate/volume analysis presented hereafter illustrates the change from year to year for each component of the taxable equivalent net interest income separated into the amount generated through volume changes and the amount generated by changes in the yields/rates.

	Changes From 2010 to 2011 (a)			Changes From 2009 to 2010 (a)		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income						
Loans, Net-taxable	$(6,117)	$(1,149)	$(7,266)	$(5,850)	$(67)	$(5,917)
Investment Securities						
Taxable	831	(581)	250	1,088	(2,260)	(1,172)
Tax-exempt	46	(15)	31	(226)	(8)	(234)
Total Investment Securities	877	(596)	281	862	(2,268)	(1,406)
Interest-Bearing Deposits in Other banks	(3)	28	25	27	(6)	21
Federal Funds Sold	15	5	20	76	(5)	71
Other Interest - Earning Assets	(3)	11	8	---	18	18
Total Interest Income	(5,231)	(1,701)	(6,932)	(4,885)	(2,328)	(7,213)
Interest Expense						
Interest-Bearing Demand and Savings Deposits	145	(549)	(404)	106	(206)	(100)
Time Deposits	(1,499)	(2,359)	(3,858)	(218)	(4,113)	(4,331)
Total Interest Expense On Deposits	(1,354)	(2,908)	(4,262)	(112)	(4,319)	(4,431)
Other Interest-Bearing Liabilities						
Federal Funds Purchased and Repurchase Agreements	(449)	385	(64)	(337)	308	(29)
Subordinated Debentures	---	(8)	(8)	---	(143)	(143)
Other Debt	(508)	125	(383)	(173)	18	(155)
Total Interest Expense	(2,311)	(2,406)	(4,717)	(622)	(4,136)	(4,758)
Net Interest Income (Loss)	$(2,920)	$705	$(2,215)	$(4,263)	$1,808	$(2,455)

(a) Changes in net interest income for the periods, based on either changes in average balances or changes in average rates for interest-earning assets and interest-bearing liabilities, are shown on this table. During each year there are numerous and simultaneous balance and rate changes; therefore, it is not possible to precisely allocate the changes between balances and rates. For the purpose of this table, changes that are not exclusively due to balance changes or rate changes have been attributed to rates.

Our financial performance is impacted by, among other factors, interest rate risk and credit risk. We do not utilize derivatives to mitigate our credit risk, relying instead on an extensive loan review process and our allowance for loan losses.

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Interest rate risk is the change in value due to changes in interest rates. The Company is exposed only to U.S. dollar interest rate changes and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of its investment portfolio as held for trading. The Company does not engage in any hedging activity or utilize any derivatives. The Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks. Interest rate risk is addressed by our Asset & Liability Management Committee (ALCO) which includes senior management representatives. The ALCO monitors interest rate risk by analyzing the potential impact to the net portfolio of equity value and net interest income from potential changes to interest rates and considers the impact of alternative strategies or changes in balance sheet structure.

Interest rates play a major part in the net interest income of financial institutions. The repricing of interest earnings assets and interest-bearing liabilities can influence the changes in net interest income. The timing of repriced assets and liabilities is Gap management and our Company has established its policy to maintain a Gap ratio in the one-year time horizon of .80 to 1.20.

Our exposure to interest rate risk is reviewed at least quarterly by our Board of Directors and the ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net portfolio value in the event of assumed changes in interest rates. In order to reduce the exposure to interest rate fluctuations, we have implemented strategies to more closely match our balance sheet composition. The Company has engaged FTN Financial to run a quarterly asset/liability model for interest rate risk analysis. We are generally focusing our investment activities on securities with terms or average lives in the 2-5 year range.

The Company maintains about 26.1 percent of its loan portfolio in adjustable rate loans that reprice with prime rate changes, while the bulk of its other loans mature within 3 years. The liabilities to fund assets are primarily in short term certificates of deposit that mature within one year. This balance sheet composition allowed the Company to be relatively constant with its net interest margin until 2008. During 2007 interest rates decreased 100 basis points and this decrease by the Federal Reserve in 2007 followed by 400 basis point decrease in 2008 resulted in significant pressure in net interest margins. While the Federal Reserve rates have remained unchanged since 2008, we have seen the net interest margin decrease to 3.11 percent for 2011 compared to 3.12 percent for 2010 and to 3.27 percent for 2009. Given the Federal Reserve’s aggressive posture during 2008 that ended the year with a range of 0 – 0.25 percent federal funds target rate and remained the same for all of 2011, we have seen our net interest margin reach a low of 2.98 percent for first and second quarter of 2011 to a high of 3.28 percent for fourth quarter 2011.

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Taxable-equivalent net interest income for 2011 decreased by $2.21 million, or 5.92 percent, compared to 2010, while taxable-equivalent net interest income for 2010 decreased $2.45 million, or 6.16 percent, compared to 2009. The fluctuation between the comparable periods resulted from the negative impact of the significant decrease in interest rates. The average volume of earning assets during 2011 decreased $66.69 million compared to 2010 while over the same period the net interest margin decreased to 3.11 from 3.12 percent. Similarly, the average volume of earning assets during 2010 decreased $18.94 million compared to 2009 while over the same period the net interest margin decreased to 3.12 percent from 3.27 percent. Growth in average earning assets during 2011 and 2010 was primarily in fed funds sold and investment securities, while average loans outstanding decreased significantly. The slight reduction in the net interest margin in 2011 was primarily the result of the decrease in average earning assets and maintenance of a higher liquidity level.

The average volume of loans decreased $102.12 million in 2011 compared to 2010 and decreased $97.49 million in 2010 compared to 2009. The average yield on loans decreased 15 basis points in 2011 compared to 2010 and decreased 1 basis point in 2010 compared to 2009. The average volume of deposits decreased $33.54 million while other borrowings decreased $30.42 million in 2011 compared to 2010. The average volume of other borrowings decreased $21.5 million in 2010 compared to 2009 while average deposits increased $17.3 million in 2010 compared to 2009. Interest-bearing deposits made up 135.02 percent of the decrease in average deposits in 2011 and 38.9 percent of the increase in average deposits in 2010. Accordingly, the ratio of average interest-bearing deposits to total average deposits was 90.6 percent in 2011, 92.1 percent in 2010 and 93.0 percent in 2009. This deposit mix, combined with a general decrease in interest rates, had the effect of (i) decreasing the average cost of total deposits by 37 basis points in 2011 compared to 2010 and decreasing the average cost of total deposits by 47 basis points in 2010 compared to 2009, and (ii) mitigating a portion of the impact of decreasing yields on earning assets on the Company’s net interest income.

The Company’s net interest spread, which represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, was 2.93 percent in 2011 compared to 2.94 percent in 2010 and 3.05 percent in 2009. The net interest spread, as well as the net interest margin, will be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment. A discussion of the effects of changing interest rates on net interest income is set forth in Quantitative and Qualitative Disclosures About Interest Rate Sensitivity included elsewhere in this report.

Provision for Loan Losses

The provision for loan losses is determined by management as the amount to be added to the allowance for loan losses after net charge-offs have been deducted to bring the allowance to a level which, in management’s best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses totaled $8.25 million in 2011 compared to $13.35 million in 2010 and $43.45 million in 2009. See the section captioned “Allowance for Loan Losses” elsewhere in this discussion for further analysis of the provision for loan losses.

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Noninterest Income

The components of noninterest income were as follows:

	2011	2010	2009
Service Charges on Deposit Accounts	$3,244	$3,597	$4,198
Other Charges, Commissions and Fees	1,312	1,140	986
Other	1,259	1,335	1,146
Mortgage Fee Income	265	313	448
Securities Gains	2,924	2,617	2,626
SBA Premiums	947	1,005	140
	$9,951	$10,007	$9,544

Total noninterest income for 2011 decreased $56 thousand, or 0.56 percent, compared to 2010 while total noninterest income for 2010 increased $463 thousand, or 4.85 percent, compared to 2009. The decrease in 2011 noninterest income compared to 2010 was primarily in mortgage fee income, SBA premiums, and service charges on deposit accounts while the increase in 2010 noninterest income compared to 2009 was primarily in SBA premiums and other charges, commissions and fees. Changes in these items and the other components of noninterest income are discussed in more detail below.

Service Charges on Deposit Accounts. Service charges on deposit accounts for 2011 decreased $353 thousand, or 9.81 percent, compared to 2010. Service charges on deposit accounts for 2010 decreased $601 thousand, or 14.32 percent, compared to 2009. The decrease in both periods was primarily due to a decrease in volume of consumer and business account overdraft fees.

Mortgage Fee Income. Mortgage fee income for 2011 decreased $48 thousand, or 15.34 percent, compared to 2010 while mortgage fee income for 2010 decreased $135 thousand, or 30.13 percent, compared to 2009. The decrease in both periods was primarily due to decreased mortgage loan activity with the housing and real estate downturn.

Security Gains. The Company realized gains from the sale of securities of $2.92 million for 2011 compared to $2.62 million for 2010 and $2.63 million in 2009.

All Other Noninterest Income. Other charges, commissions and fees, other income and SBA premiums for 2011 increased $38 thousand, or 1.09 percent, compared to 2010. The slight increase was primarily attributable to increased ATM and bank debit card interchange fees. In 2010 other charges, commissions and fees, other income, and SBA premiums increased $1.21 million, or 53.17 percent compared to 2009. The increase was primarily due to the premiums realized on SBA guaranteed loans of $1.01 million for 2010 compared to $140 thousand for 2009 and from a death benefit on BOLI insurance plan in the amount of $212 thousand for 2010.

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Noninterest Expense

The components of noninterest expense were as follows:

	2011	2010	2009
Salaries and Employee Benefits	$14,633	$14,098	$14,483
Occupancy and Equipment	3,998	4,422	4,287
Other	14,420	15,337	16,074
	$33,051	$33,857	$34,844

Total noninterest expense for 2011 decreased $806 thousand, or 2.38 percent compared to 2010 while total noninterest expense decreased $987 thousand, or 2.83 percent, compared to 2009. Reduction in noninterest expense in 2011 was primarily in occupancy and equipment and other noninterest expense while the Company had a slight increase in salaries and employee benefits. Reduction in noninterest expense in 2010 was primarily in salaries and employee benefits and other noninterest expense while the Company had an increase in occupancy and equipment.

Salaries and Employee Benefits. Salaries and employee benefits expense for 2011 increased $536 thousand, or 3.80 percent, compared to 2010. This increase is primarily attributable to an increase in headcount related to increased regulatory compliance demands. Salaries and employee benefits expense for 2010 decreased $385 thousand, or 2.66 percent, compared to 2009. The slowing economy and lack of growth resulted in decreases in headcount as a result of normal attrition and restructuring due to consolidation efforts initiated in 2008. In addition the Company did not payout any bonuses or profit sharing based on Company performance being significantly below targeted goals in 2010.

Occupancy and Equipment. Net occupancy expense for 2011 decreased $424 thousand compared to 2010, or a decrease of 9.59 percent. The decrease in occupancy expense in 2011 is primarily due to a reduction in depreciation expense of $351 thousand from 2010. Net occupancy expense for 2010 increased $135 thousand compared to 2009, or an increase of 3.15 percent. The purchase of new data processing software and equipment resulted in additional depreciation expense of $48 thousand for 2010 compared to 2009.

All Other Noninterest Expense. All other noninterest expense for 2011 decreased $917 thousand, or 5.98 percent. Significant changes in noninterest expense were: FDIC insurance assessment fees decreased to $1.83 million for 2011 compared to $1.87 million for 2010, or a decrease of $38 thousand, legal and professional fees decreased to $1.2 million for 2011 in comparison to $1.4 million for 2010, or a decrease of $183 thousand, foreclosed property and repossession expense decreased to $4.0 million in 2011 compared to $4.9 million in 2010, or a decrease of $898 thousand, and advertising decreased to $508 thousand in 2011 compared to $743 thousand in 2010, or a decrease of $235 thousand. All other noninterest expense for 2010 decreased $737 thousand, or 4.59 percent. Significant changes in noninterest expense were: FDIC insurance assessment fees decreased to $1.87 million for 2010 compared to $2.66 million for 2009, or a decrease of $795 thousand; foreclosed property and repossession expense increased to $4.94 million for 2010 compared to $2.27 million for 2009, or an increase of $2.67 million and goodwill impairment expense was $0 for 2010 compared to $2.41 million for 2009.

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Sources and Uses of Funds

The following table illustrates, during the years presented, the mix of the Company's funding sources and the assets in which those funds are invested as a percentage of the Company's average total assets for the period indicated. Average assets totaled $1.21 billion in 2011 compared to $1.27 billion in 2010 and $1.29 billion in 2009.

	2011			2010			2009		
Sources of Funds:									
Deposits:									
Noninterest-Bearing	$ 93,903	7.8	%	$ 82,160	6.5	%	$ 71,561	5.5	%
Interest-Bearing	906,816	75.2		952,095	75.0		945,360	73.5	
Federal Funds Purchased and Repurchase Agreements	9,851	0.8		26,070	2.0		42,452	3.3	
Subordinated Debentures and Other Borrowed Money	95,949	8.0		110,149	8.7		115,229	9.0	
Other Noninterest-Bearing Liabilities	4,635	0.4		4,681	0.4		6,161	0.5	
Equity Capital	94,737	7.8		94,452	7.4		105,655	8.2	
Total	$ 1,205,891	100.0	%	$ 1,269,607	100.0	%	$ 1,286,418	100.0	%
Uses of Funds:									
Loans	$ 742,482	61.6	%	$ 834,739	65.8	%	$ 943,164	73.3	%
Investment Securities	300,293	24.9		267,015	2.10		238,968	18.6	
Federal Funds Sold	44,667	3.7		38,809	3.1		9,392	0.7	
Interest-Bearing Deposits	18,715	1.5		21,911	1.7		788	0.1	
Other Interest-Earning Assets	5,781	0.5		6,297	0.5		6,328	0.5	
Other Noninterest-Earning Assets	93,953	7.8		100,836	7.9		87,778	6.8	
Total	$ 1,205,891	100.0	%	$ 1,269,607	100.0	%	$ 1,286,418	100.0	%

Deposits continue to be the Company's primary source of funding. Over the comparable periods, the relative mix of deposits continues to be high in interest-bearing deposits. Interest-bearing deposits totaled 90.62 percent of total average deposits in 2011 compared to 92.06 percent in 2010 and 92.96 percent in 2009.

The Company primarily invests funds in loans and securities. Loans continue to be the largest component of the Company's mix of invested assets. Loan demand was sluggish in 2011 as total loans were $716.3 million at December 31, 2011, down 11.9 percent, compared to loans of $813.3 million at December 31, 2010, while total loans at

December 31, 2010 were down 12.7 percent, compared to loans of $931.4 million at December 31, 2009. See additional discussion regarding the Company's loan portfolio in the section captioned "Loans" included below. The majority of funds provided by deposits have been invested in loans.

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Loans

The following table presents the composition of the Company's loan portfolio as of December 31 for the past five years.

	2011	2010	2009	2008	2007
Commercial, Financial and Agricultural	$57,408	$63,772	$80,984	$86,379	$52,323
Real Estate					
Construction	62,076	76,682	113,117	160,374	211,484
Mortgage, Farmland	48,225	52,778	54,965	54,159	42,439
Mortgage, Other	508,919	570,350	626,993	600,653	544,655
Consumer	30,449	33,564	38,383	44,163	72,350
Other	9,244	16,104	16,950	15,308	22,028
	716,321	813,250	931,392	961,036	945,279
Unearned Interest and Fees	(57)	(61)	(140)	(179)	(301)
Allowance for Loan Losses	(15,650)	(28,280)	(31,401)	(17,016)	(15,513)
Loans	$700,614	$784,909	$899,851	$943,841	$929,465

The following table presents total loans as of December 31, 2011 according to maturity distribution and/or repricing opportunity on adjustable rate loans.

Maturity and Repricing Opportunity

One Year or Less	$435,505
After One Year through Three Years	237,463
After Three Years through Five Years	28,972
Over Five Years	14,381
	$716,321

Overview. Loans totaled $716.3 million at December 31, 2011, down 11.9 percent from December 31, 2010 loans of $813.3 million. The majority of the Company's loan portfolio is comprised of the real estate loans-other, real estate construction and commercial financial and agricultural loans. Real estate-other, which is primarily 1-4 family residential properties and nonfarm nonresidential properties, made up 71.01 percent and 70.13 percent of total loans, real estate construction made up 8.67 percent and 9.43 percent while commercial financial and agricultural loans made up 8.01 percent and 7.84 percent of total loans at December 31, 2011 and December 31, 2010, respectively. Real estate loans-other include both commercial and consumer balances.

Loan Origination/Risk Management. In accordance with the Company's decentralized banking model, loan decisions are made at the local bank level. The Company utilizes an Executive Loan Committee to assist lenders with the decision making and underwriting process of larger loan requests. Due to the diverse economic markets served by the Company, evaluation and underwriting criterion may vary slightly by market. Overall, loans are extended after a review of the borrower's repayment ability, collateral adequacy, and overall credit worthiness.

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Commercial purpose, commercial real estate, and industrial loans are underwritten similar to other loans throughout the company. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location. This diversity helps reduce the company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography, and risk grade criteria. The Company also utilizes information provided by third-party agencies to provide additional insight and guidance about economic conditions and trends affecting the markets it serves.

The Company extends loans to builders and developers that are secured by non-owner occupied properties. In such cases, the Company reviews the overall economic conditions and trends for each market to determine the desirability of loans to be extended for residential construction and development. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim mini-perm loan commitment from the Company until permanent financing is obtained. In some cases, loans are extended for residential loan construction for speculative purposes and are based on the perceived present and future demand for housing in a particular market served by the Company. These loans are monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and trends, the demand for the properties, and the availability of long-term financing.

The Company originates consumer loans at the bank level. Due to the diverse economic markets served by the Company, underwriting criterion may vary slightly by market. The Company is committed to serving the borrowing needs of all markets served and, in some cases, adjusts certain evaluation methods to meet the overall credit demographics of each market. Consumer loans represent relatively small loan amounts that are spread across many individual borrowers to help minimize risk. Additionally, consumer trends and outlook reports are reviewed by management on a regular basis.

The Company began utilizing an independent third party company for loan review during fourth quarter 2009. This third party engagement will be on-going. The Loan Review Company reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management and the audit committee. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

Commercial, Financial and Agricultural. Commercial, financial and agricultural loans at December 31, 2011 decreased 9.98 percent from December 31, 2010 to $57.41 million. The Company's commercial and industrial loans are a diverse group of loans to small, medium and large businesses. The purpose of these loans varies from supporting seasonal working capital needs to term financing of equipment. While some short-term loans may be made on an unsecured basis, most are secured by the assets being financed with collateral margins that are consistent with the Company's loan policy guidelines.

Industry Concentrations. As of December 31, 2011 and December 31, 2010, there were no concentrations of loans within any single industry in excess of 10 percent of total loans, as segregated by Standard Industrial Classification code ("SIC code"). The SIC code is a federally designed standard industrial numbering system used by the Company to categorize loans by the borrower's type of business.

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Collateral Concentrations. Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly with the current economic downturn in the real estate market. At December 31, 2011, approximately 86.41 percent of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. The continued downturn of the housing and real estate market that began in 2007 has resulted in an increase of problem loans secured by real estate. These loans are centered primarily in the Company's larger MSA markets. Declining collateral real estate values that secure land development, construction and speculative real estate loans in the Company's larger MSA markets have resulted in high loan loss provisions in 2011. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis.

Large Credit Relationships. The Company is currently in eighteen counties in south and central Georgia and include metropolitan markets in Dougherty, Lowndes, Houston, Chatham and Muscogee counties. As a result, the Company originates and maintains large credit relationships with several commercial customers in the ordinary course of business. The Company considers large credit relationships to be those with commitments equal to or in excess of $5.0 million prior to any portion being sold. Large relationships also include loan participations purchased if the credit relationship with the agent is equal to or in excess of $5.0 million. In addition to the Company's normal policies and procedures related to the origination of large credits, the Company's Executive Loan Committee and Director Loan Committee must approve all new and renewed credit facilities which are part of large credit relationships. The following table provides additional information on the Company's large credit relationships outstanding at December 31, 2011 and December 31, 2010.

	December 31, 2011			December 31, 2010		
		Period End Balances			Period End Balances	
	Number of Relationships	Committed	Outstanding	Number of Relationships	Committed	Outstanding
Large Credit Relationships:						
$10 million and greater	1	$11,811	$11,811	1	$15,025	$15,025
$5 million to $9.9 million	5	31,363	31,363	7	46,794	45,588

Maturities and Sensitivities of Loans to Changes in Interest Rates. The following table presents the maturity distribution of the Company's loans at December 31, 2011. The table also presents the portion of loans that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index such as the prime rate.

	Due in One Year or Less	After One, but Within Three Years	After Three, but Within Five Years	After Five Years	Total
Loans with fixed interest rates	$254,768	$235,718	$24,975	$14,213	$529,674
Loans with floating interest rates	180,737	1,745	3,997	168	186,647

Total	$435,505	$237,463	$28,972	$14,381	$716,321

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The Company may renew loans at maturity when requested by a customer whose financial strength appears to support such renewal or when such renewal appears to be in the Company's best interest. In such instances, the Company generally requires payment of accrued interest and may adjust the rate of interest, require a principal reduction or modify other terms of the loan at the time of renewal.

Nonperforming Assets and Potential Problem Loans

Year-end nonperforming assets and accruing past due loans were as follows:

	2011		2010		2009		2008		2007	
Loans Accounted for on Nonaccrual	$38,822		$28,902		$33,535		$35,124		$14,956	
Loans Past Due 90 Days or More	15		19		31		250		60	
Other Real Estate Foreclosed	20,445		20,208		19,705		12,812		1,332	
Securities Accounted for on Nonaccrual	426		132		132		---		---	
Total Nonperforming Assets	$59,708		$49,261		$53,403		$48,186		$16,348	
Nonperforming Assets as a Percentage of:										
Total Loans and Foreclosed Assets	8.10	%	5.91	%	5.62	%	4.95	%	1.73	%
Total Assets	4.99	%	3.86	%	4.09	%	3.85	%	1.35	%
Supplemental Data:										
Trouble Debt Restructured Loans										
In Compliance with Modified Terms	29,839		26,556		9,269		---		---	
Trouble Debt Restructured Loans										
Past Due 30-89 Days	611		1,048		459		---		---	
Accruing Past Due Loans:										
30-89 Days Past Due	7,161		19,740		25,547		18,675		15,681	
90 or More Days Past Due	15		19		31		250		60	
Total Accruing Past Due Loans	$7,176		$19,759		$25,578		$18,925		$15,741	

Nonperforming assets include nonaccrual loans, loans past due 90 days or more, foreclosed real estate and nonaccrual securities. Nonperforming assets at December 31, 2011 increased 21.21 percent from December 31, 2010.

Generally, loans are placed on nonaccrual status if principal or interest payments become 90 days past due and/or management deems the collectibility of the principal and/or interest to be in question, as well as when required by regulatory requirements. Loans to a customer whose financial condition has deteriorated are considered for nonaccrual status whether or not the loan is 90 days or more past due. For consumer loans, collectibility and loss are generally determined before the loan reaches 90 days past due. Accordingly, losses on consumer loans are recorded at the time they are determined. Consumer loans that are 90 days or more past due are generally either in liquidation/payment status or bankruptcy awaiting confirmation of a plan. Once interest accruals are discontinued, accrued but uncollected interest is charged to current year operations. Subsequent receipts on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Classification of a loan as non-accrual does not preclude the ultimate collection of loan principal or interest.

Troubled debt restructured loans are loans on which, due to deterioration in the borrower's financial condition, the original terms have been modified in favor of the borrower or either principal or interest has been forgiven.

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Foreclosed assets represent property acquired as the result of borrower defaults on loans. Foreclosed assets are recorded at estimated fair value, less estimated selling costs, at the time of foreclosure. Write-downs occurring at foreclosure are charged against the allowance for possible loan losses. On an ongoing basis, properties are appraised as required by market indications and applicable regulations. Write-downs are provided for subsequent declines in value and are included in other non-interest expense along with other expenses related to maintaining the properties.

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The allowance for loan losses includes allowance allocations calculated in accordance with current U.S. accounting standards. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The Company's allowance for loan losses consists of specific valuation allowances established for probable losses on specific loans and historical valuation allowances for other loans with similar risk characteristics.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of classified loans. Loans are classified based on an internal credit risk grading process that evaluates, among other things: (i) the obligor's ability to repay; (ii) the underlying collateral, if any; and (iii) the economic environment and industry in which the borrower operates. This analysis is performed at the subsidiary bank level and is reviewed at the parent Company level. Once a loan is classified, it is reviewed to determine whether the loan is impaired and, if impaired, a portion of the allowance for possible loan losses is specifically allocated to the loan. Specific valuation allowances are determined after considering the borrower's financial condition, collateral deficiencies, and economic conditions affecting the borrower's industry, among other things.

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Historical valuation allowances are calculated from loss factors applied to loans with similar risk characteristics. The loss factors are based on loss ratios for groups of loans with similar risk characteristics. The loss ratios are derived from the proportional relationship between actual loan losses and the total population of loans in the risk category. The historical loss ratios are periodically updated based on actual charge-off experience. The Company's groups of similar loans include similarly risk-graded groups of loans not reviewed for individual impairment. In addition, the Company has also segmented its' real estate portfolio into thirteen separate categories and captured loan loss experience for each category. Most of the Company's charge-offs the past two years have been real estate dependent loans and we believe this segmentation provides more accuracy in determining allowance for loan loss adequacy. During fourth quarter 2009, the Company changed the methodology in calculating its loan loss reserve. Previously the look back period for charge-off experience was the average of the charge-offs for the prior five years, however due to the current housing and real estate downturn, management deemed prudent to lower the look back period for charge-off experience to a one year look back. This change resulted in an approximate $12 million dollar addition to the loan loss reserve during fourth quarter 2009. The Company maintained the same methodology in 2011.

Management evaluates the adequacy of the allowance for each of these components on a quarterly basis. Peer comparisons, industry comparisons, and regulatory guidelines are also used in the determination of the general valuation allowance.

Loans identified as losses by management, internal loan review, and/or bank examiners are charged-off.

An allocation for loan losses has been made according to the respective amounts deemed necessary to provide for the possibility of incurred losses within the various loan categories. The allocation is based primarily on previous charge-off experience adjusted for changes in experience among each category. Additional amounts are allocated by evaluating the loss potential of individual loans that management has considered impaired. The reserve for loan loss allocation is subjective since it is based on judgment and estimates, and therefore is not necessarily indicative of the specific amounts or loan categories in which the charge-offs may ultimately occur. The following table shows a comparison of the allocation of the reserve for loan losses for the periods indicated.

	2011			2010			2009			2008			2007		
	Reserve	%	*	Reserve	%	*	Reserve	%	*	Reserve	%	*	Reserve	%	*
Commercial, Financial and Agricultural	$1,368	8	%	$5,113	8	%	$4,710	9	%	$4,254	9	%	$3,645	6	%
Real Estate - Construction	3,261	9		4,646	9		7,850	12		2,808	17		2,560	22	
Real Estate - Farmland	365	7		944	7		942	6		681	6		621	4	
Real Estate - Other	10,143	71		13,972	70		13,816	67		5,955	62		5,430	58	
Loans to Individuals	205	4		3,074	4		2,826	4		2,467	4		2,404	8	
All other loans	308	1		531	2		1,257	2		851	2		853	2	
Total	$15,650	100	%	$28,280	100	%	$31,401	100	%	$17,016	100	%	$15,513	100	%

* Loan balance in each category expressed as a percentage of total end of period loans.

Activity in the allowance for loan losses is presented in the following table. There were no charge-offs or recoveries related to foreign loans during any of the periods presented.

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The following table presents an analysis of the Company's loan loss experience for the periods indicated.

	2011	2010	2009	2008	2007
Allowance for Loan Losses at Beginning of Year	$ 28,280	$ 31,401	$ 17,016	$ 15,513	$ 11,989
Charge-Offs					
Commercial, Financial and Agricultural	1,297	725	768	1,680	957
Real Estate	21,215	15,309	27,545	9,190	1,862
Consumer	223	549	908	994	793
All Other	115	1,040	272	103	296
	22,850	17,623	29,493	11,967	3,908
Recoveries					
Commercial, Financial and Agricultural	582	82	73	73	109
Real Estate	1,235	774	156	285	992
Consumer	145	246	191	155	312
All Other	8	50	13	19	88
	1,970	1,152	433	532	1,501
Net Charge-Offs	20,880	16,471	29,060	11,435	2,407
Provision for Loans Losses	8,250	13,350	43,445	12,938	5,931
Allowance for Loan Losses at End of Year	$ 15,650	$ 28,280	$ 31,401	$ 17,016	$ 15,513
Ratio of Net Charge-Offs to Average Loans	2.74 %	1.90 %	3.02 %	1.19 %	0.25 %

The allowance for loan losses is maintained at a level considered appropriate by management, based on estimated probable losses within the existing loan portfolio. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The provision for loan losses reflects loan quality trends, including the level of net charge-offs or recoveries, among other factors. The provision for loan losses decreased $5.1 million from $13.35 million in 2010 to $8.25 million in 2011. The provision for loan losses charged to earnings was based upon management's judgment of the amount necessary to maintain the allowance at an adequate level to absorb losses inherent in the loan portfolio at year end. The amount each period is dependent upon many factors, including changes in the risk ratings of the loan portfolio, net charge-offs, past due ratios, the value of collateral, and other environmental factors that include portfolio loan quality indicators; portfolio growth and composition of commercial real estate and concentrations; portfolio policies, procedures, underwriting standards, loss recognition, collection and recovery practices; local economic business conditions; and the experience, ability, and depth of lending management and staff. Of significance to changes in the allowance during 2011 was the provision of $8.25 million. Charge-offs largely consisted of seven construction and land development loans totaling $6.26 million in 2011 compared to seven construction and land development loans totaling $3.29 million in 2010, zero 1-4 family residence property loans of $0 thousand in 2011 compared to two 1-4 family residence property loans of $777 thousand in 2010; one multifamily residential property loan totaling $595 thousand in 2011 compared to two multifamily residential property loans totaling $477 thousand in 2010; and eleven nonfarm residential loans totaling $9.5 million in 2011 compared to eight nonfarm residential loans totaling $5.11 million in 2010.

The remainder of the charge-offs were made up of several small loans, most of which were real estate dependent loans and commercial loans.

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Provisions continue to be higher than normal primarily due to the elevated risk of residential real estate and land development loans that began during 2007 with the housing and real estate downturn. Nonperforming assets as a percentage of total loans and foreclosed assets increased to 8.10 percent at December 31, 2011 compared to 5.91 percent at December 31, 2010. Total nonperforming assets at December 31, 2011 were $59.7 million, of which $35.5 million were construction, land development and other land loans; $0.7 million were farmland properties; $4.6 million were 1-4 family residential properties; $0.7 million were multifamily properties; $15.3 million were nonfarm nonresidential properties; and the remainder of nonperforming assets totaling $2.9 million were commercial and consumer loans. Total nonperforming assets at December 31, 2010 were $49.3 million, of which $22.0 million were construction, land development and other land loans; $5.0 million were 1-4 family residential properties; $0.3 million were multifamily properties; $18.9 million were nonfarm nonresidential properties; $2.0 million were farmland properties; and the remainder of nonperforming assets totaling $1.1 million were commercial and consumer loans. All of the classified loans greater than $50 thousand, including the nonperforming loans, are reviewed throughout the quarter for impairment. The allowance for loan losses of $15.6 million at December 31, 2011 was 2.18 percent of total loans which compares to $28.3 million at December 31, 2010, or 3.48 percent of total loans and to $31.4 million at December 31, 2009, or 3.37 percent. Unusually high levels of loan loss provision have been required as Company management addresses asset quality deterioration. While the nonperforming loans as a percentage of total loans was 5.42 percent, 3.56 percent, and 3.60 percent, respectively as of December 31, 2011, December 31, 2010 and December 31, 2009, the Company's allowance for loan losses as a percentage of nonperforming loans was 40.29 percent, 97.78 percent, and 93.55 percent, respectively as of December 31, 2011, December 31, 2010 and December 31, 2009. We continue to identify new problem loans, though at a slower pace than the previous year.

While the allowance for loan losses decreased from $28.28 million, or 3.48 percent of total loans at December 31, 2010 to $15.65 million, or 2.18 percent of total loans at December 31, 2011, the Company also reflected an increase in nonperforming loans from $28.92 million at December 31, 2010 to $38.84 million at December 31, 2011. When a loan is performing, it is accounted for under the Company's general loan loss reserve methodology. Once the loan becomes impaired, it is removed from the pool of loans covered by the general reserve and reviewed individually for exposure. In cases where the individual review reveals no exposure, no reserve is recorded for that loan. If, however, the individual review of the loan does indicate some exposure, management often charges off this exposure, rather than recording a specific reserve. In these instances, a loan which becomes nonperforming could actually reduce the allowance for loan losses. The allowance for loan losses is inherently judgmental, nevertheless the Company's methodology is consistently applied based on standards for current accounting by creditors for impairment of a loan and allowance allocations determined in accordance with accounting for contingencies. Loans individually selected for impairment review consist of all loans classified substandard that are $50 thousand and over. The remaining portfolio is analyzed based on historical loss data. Loans selected for individual review where no individual impairment amount is identified do not receive a contribution to the allowance for loan losses based on historical data. Historical loss rates are updated annually to provide the annual loss rate which is applied to the appropriate portfolio grades. In addition, the Company has also segmented its' real estate portfolio into thirteen separate categories and captured loan loss experience for each category. Most of the Company's charge-offs the past two years have been real estate dependent loans and we believe this segmentation provides more accuracy in determining allowance for loan loss adequacy. During fourth quarter 2009, the Company changed its methodology for the look back period for determination of charge-off experience.

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Previously, the Company utilized the average of the charge-off experience for the preceding five years, but changed to a one year look back. The current methodology has resulted in significant loan loss provisions for 2011 and 2010, but was considered prudent by management to adhere to guidance by regulatory authorities to lower the look back period in light of current economic condition. In addition, environmental factors as discussed earlier are evaluated for any adjustments needed to the allowance for loan losses determination produced by individual loan impairment analysis and remaining portfolio segmentation analysis. The allowance for loan losses determination is based on reviews throughout the year and an environmental analysis at year end.

As part of our monitoring and evaluation of collateral values for nonperforming and problem loans in determining adequate allowance for loan losses, regional credit officers along with lending officers submit monthly problem loan reports for loans greater than $50 thousand in which impairment is identified. This process typically determines collateral shortfall based upon local market real estate value estimates should the collateral be liquidated. Once the loan is deemed uncollectible, it is transferred to our problem loan department for workout, foreclosure and/or liquidation. The problem loan department gets a current appraisal on the property in order to record a fair market value (less selling expenses) when the property is foreclosed on and moved into other real estate. Trends the past several quarters reflect a decrease in collateral values from two to three years ago on improved properties of fifteen to twenty five percent and on land development and land loans of thirty to fifty percent. The significant reduction in collateral values on nonperforming assets has resulted in charge-offs particularly during 2011.

Net charge-offs in 2011 increased $4.41 million compared to the same period a year ago. Net charge-offs were fairly consistent during 2007, 2006 and 2005; however, the net charge-offs increased significantly beginning in 2008 primarily from the write-down of nonperforming credits to appraised values. The increase the past three years has primarily been with real estate dependent loans as problem credits went through the collection process to resolution.

The allowance for loan losses is $12.63 million less than the prior year end, after factoring in net-charge offs, additional provisions, and the normal determination for an adequate funding level. Restructuring of some substandard and non-performing loans during 2011 has resulted in significant charge-offs, but a strategy deemed prudent in bringing resolution with these credits and a return to performing status in the future. Management believes the level of the allowance for loan losses was adequate as of December 31, 2011. Should any of the factors considered by management in evaluating the adequacy of the allowance for loan losses change, the Company’s estimate of probable loan losses could also change, which could affect the level of future provisions for loan losses.

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Investment Portfolio

The following table presents carrying values of investment securities held by the Company as of December 31, 2011, 2010 and 2009.

	2011	2010	2009
Obligations of States and Political Subdivisions	$ 7,630	$ 3,305	$ 4,121
Corporate Obligations	2,114	1,986	4,138
Asset-Backed Securities	132	132	132
Investment Securities	9,876	5,423	8,391
Mortgage-Backed Securities	294,061	298,463	258,909
Total Investment Securities and Mortgage-Backed Securities	$ 303,937	$ 303,886	$ 267,300

The following table represents expected maturities and weighted-average yields of investment securities held by the Company as of December 31, 2011. (Mortgage-backed securities are based on the average life at the projected speed, while Agencies, State and Political Subdivisions and Corporate Obligations reflect anticipated calls being exercised.)

	Within 1 Year		After 1 Year But Within 5 Years		After 5 Years But Within 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Mortgage-Backed Securities	$13,286	1.44 %	$211,393	2.06 %	$34,513	2.80 %	$34,869	2.98 %
Obligations of State and Political Subdivisions	1,573	4.16	1,870	2.89	4,187	3.11	--	--
Corporate Obligations	--	--	1,124	5.67	--	--	990	3.50
Asset-Backed Securities	--	--	--	--	--	--	132	--
Total Investment Portfolio	$14,859	1.73 %	$214,387	2.07 %	$38,700	2.91 %	$35,991	2.96 %

Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. The Company has 99.9 percent of its portfolio classified as available for sale.

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At December 31, 2011, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10 percent of the Company's shareholders' equity.

The average yield of the securities portfolio was 2.39 percent in 2011 compared to 2.59 percent in 2010 and 3.48 percent in 2009. The decrease in the average yield from 2010 to 2011 primarily resulted from the turnover of the securities portfolio resulting in the investment of new funds at lower rates. The decrease in the average yield from 2009 to 2010 primarily resulted from the turnover of the securities portfolio resulting in the investment of new funds at lower rates. The Company has increased its securities portfolio the past two years as the sluggish economy has resulted in lower loan demand, thus more funding available for investment in the securities portfolio.

Deposits

The following table presents the average amount outstanding and the average rate paid on deposits by the Company for the years 2011, 2010 and 2009.

	2011			2010			2009		
	Average Amount	Average Rate		Average Amount	Average Rate		Average Amount	Average Rate	
Noninterest-Bearing Demand Deposits	$93,903			$82,160			$71,561		
Interest-Bearing Demand and Savings	273,783	0.45	%	251,537	0.65	%	237,045	0.73	%
Time Deposits	633,033	1.85	%	700,558	2.22	%	708,315	2.81	%
Total Deposits	$1,000,719	1.29	%	$1,034,255	1.66	%	$1,016,921	2.13	%

The following table presents the maturities of the Company's other time deposits as of December 31, 2011.

	Other Time Deposits $100,000or Greater	Other Time Deposits Less Than $100,000	Total
Months to Maturity			
3 or Less	$ 54,215	$71,819	$ 126,034056
Over 3 through 12	136,661	165,908	302,569
Over 12 Months	56,713	94,299	151,012
	$ 247,589	$332,026	$ 579,615

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Average deposits decreased $33.54 million in 2011 compared to 2010 and increased $17.33 million in 2010 compared to 2009. The decrease in 2011 included $67.53 million, or 9.6 percent in time deposits while, at the same time, noninterest bearing deposits increased $11.74 million, or 14.29 percent and interest-bearing demand and savings deposits increased $22.25 million, or 8.84 percent. The increase in 2010 included $10.60 million or 14.8 percent in noninterest bearing deposits and $14.49 million or 6.1 percent in interest-bearing demand and savings while, at the same time, time deposits decreased $7.76 million or 1.1 percent. Accordingly the ratio of average noninterest-bearing deposits to total average deposits was 9.4 percent in 2011, 7.9 percent in 2010 and 7.0 percent in 2009. The general decrease in market rates in 2011 had the effect of (i) decreasing the average cost of interest-bearing deposits by 38 basis points in 2011 compared to 2010 and (ii) mitigating a portion of the impact of decreasing yields on earning assets in the Company's net interest income in 2011. The general decrease in market rates in 2010 had the effect of (i) decreasing the average cost of interest bearing deposits by 48 basis points in 2010 compared to 2009 and (ii) mitigating a portion of the impact of decreasing yields on earning assets on the Company's net interest income in 2010.

Total average interest-bearing deposits decreased $45.3 million, or 4.8 percent in 2011 compared to 2010 and increased $6.74 million, or 0.71 percent in 2010 compared to 2009. The decrease in average deposits in 2011 compared to 2010 was time deposit accounts.

The Company supplements deposit sources with brokered deposits. As of December 31, 2011, the Company had $28.2 million, or 2.82 percent of total deposits, in brokered certificates of deposit attracted by external third parties.

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Off-Balance-Sheet Arrangements, Commitments, Guarantees, and Contractual Obligations

The following table summarizes the Company's contractual obligations and other commitments to make future payments as of December 31, 2011. Payments for borrowings do not include interest. Payments related to leases are based on actual payments specified in the underlying contracts. Loan commitments and standby letters of credit are presented at contractual amounts; however, since many of these commitments are expected to expire unused or only partially used, the total amounts of these commitments do not necessarily reflect future cash requirements.

	Payments Due by Period				
	1 Year or Less	More than 1 Year but Less Than 3 Years	3 Years or More but Less Than 5 Years	5 Years or More	Total
Contractual Obligations:					
Subordinated Debentures	$----	$----	$----	$24,229	$24,229
Federal Home Loan Bank Advances	41,000	----	----	30,000	71,000
Operating Leases	126	99	----	----	225
Deposits with Stated Maturity Dates	428,603	137,619	13,364	29	579,615
	469,729	137,718	13,364	54,258	675,069
Other Commitments:					
Loan Commitments	39,666	----	----	----	39,666
Standby Letters of Credit	1,327	----	----	----	1,327
	40,993	----	----	----	40,993
Total Contractual Obligations and Other Commitments	$510,722	$137,718	$13,364	$54,258	$716,062

In the ordinary course of business, the Banks have entered into off-balance sheet financial instruments which are not reflected in the consolidated financial statements. These instruments include commitments to extend credit, standby letters of credit, performance letters of credit, guarantees and liability for assets held in trust.

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Such financial instruments are recorded in the financial statements when funds are disbursed or the instruments become payable. The Company uses the same credit policies for these off-balance sheet financial instruments as they do for instruments that are recorded in the consolidated financial statements.

Loan Commitments. The Company enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of the Company's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for possible loan losses.

Loan commitments outstanding at December 31, 2011 are included in the preceding table.

Standby Letters of Credit. Letters of credit are written conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, the Company would be entitled to seek recovery from the customer. The Company's policies generally require that standby letters of credit arrangements contain security and debt covenants similar to those contained in loan agreements. Standby letters of credit outstanding at December 31, 2011 are included in the preceding table.

Capital and Liquidity

At December 31, 2011, shareholders' equity totaled $96.6 million compared to $93.0 million at December 31, 2010. In addition to net income of $2.5 million, other significant changes in shareholders' equity during 2011 included $1.4 million of dividends declared and an increase of $11 thousand resulting from the stock grant plan. The accumulated other comprehensive income component of shareholders' equity totaled $1.9 million at December 31, 2011 compared to $(600) thousand at December 31, 2010. This fluctuation was mostly related to the after-tax effect of changes in the fair value of securities available for sale. Under regulatory requirements, the unrealized gain or loss on securities available for sale does not increase or reduce regulatory capital and is not included in the calculation of risk-based capital and leverage ratios. Regulatory agencies for banks and bank holding companies utilize capital guidelines designed to measure Tier 1 and total capital and take into consideration the risk inherent in both on-balance sheet and off-balance sheet items. Tier 1 capital consists of common stock and qualifying preferred stockholders' equity less goodwill and disallowed deferred tax assets. Tier 2 capital consists of certain convertible, subordinated and other qualifying debt and the allowance for loan losses up to 1.25 percent of risk-weighted assets. The Company has no Tier 2 capital other than the allowance for loan losses.

Using the capital requirements presently in effect, the Tier 1 ratio as of December 31, 2011 was 15.24 percent and total Tier 1 and 2 risk-based capital was 16.50 percent. Both of these measures compare favorably with the regulatory minimum of 4 percent for Tier 1 and 8 percent for total risk-based capital. The Company's Tier 1 leverage ratio as of December 31, 2011 was 9.51 percent, which exceeds the required ratio standard of 4 percent.

For 2011, average capital was $94.7 million, representing 7.86 percent of average assets for the year. This compares to 7.44 percent for 2010.

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The Company did not pay any common stock dividends in 2011 or 2010. The Company paid a quarterly dividend of $0.10, $0.05 per common share during the first and second quarter of 2009, respectively, and suspended dividend payments beginning in the third quarter of 2009.

The Company declared a quarterly dividend of $350 thousand on preferred stock each quarter during 2011 and 2010, respectively. The Company had no preferred stock until January 2009 when shares were issued to U.S. Treasury.

The Company, primarily through the actions of its subsidiary banks, engages in liquidity management to ensure adequate cash flow for deposit withdrawals, credit commitments and repayments of borrowed funds. Needs are met through loan repayments, net interest and fee income and the sale or maturity of existing assets. In addition, liquidity is continuously provided through the acquisition of new deposits, the renewal of maturing deposits and external borrowings.

Management monitors deposit flow and evaluates alternate pricing structures to retain and grow deposits. To the extent needed to fund loan demand, traditional local deposit funding sources are supplemented by the use of FHLB borrowings, brokered deposits and other wholesale deposit sources outside the immediate market area. Internal policies have been updated to monitor the use of various core and non-core funding sources, and to balance ready access with risk and cost. Through various asset/liability management strategies, a balance is maintained among goals of liquidity, safety and earnings potential. Internal policies that are consistent with regulatory liquidity guidelines are monitored and enforced by the Banks.

The investment portfolio provides a ready means to raise cash if liquidity needs arise. As of December 31, 2011, the available for sale bond portfolio totaled $303.9 million. At December 31, 2010, the Company held $303.8 million in bonds (excluding FHLB stock), at current market value in the available for sale portfolio. Only marketable investment grade bonds are purchased. Although most of the Banks' bond portfolios are encumbered as pledges to secure various public funds deposits, repurchase agreements, and for other purposes, management can restructure and free up investment securities for a sale if required to meet liquidity needs.

Management continually monitors the relationship of loans to deposits as it primarily determines the Company's liquidity posture. Colony had ratios of loans to deposits of 71.6 percent as of December 31, 2011 and 76.8 percent at December 31, 2010. Management employs alternative funding sources when deposit balances will not meet loan demands. The ratios of loans to all funding sources (excluding Subordinated Debentures) at December 31, 2011 and December 31, 2010 were 66.9 percent and 70.5 percent, respectively. Management continues to emphasize programs to generate local core deposits as our Company's primary funding sources. The stability of the Banks' core deposit base is an important factor in Colony's liquidity position. A heavy percentage of the deposit base is comprised of accounts of individuals and small businesses with comprehensive banking relationships and limited volatility. At December 31, 2011 and December 31, 2010, the Banks had $248 million and $298 million, respectively, in certificates of deposit of $100,000 or more. These larger deposits represented 24.8 percent and 28.1 percent of respective total deposits. Management seeks to monitor and control the use of these larger certificates, which tend to be more volatile in nature, to ensure an adequate supply of funds as needed. Relative interest costs to attract local core relationships are compared to market rates of interest on various external deposit sources to help minimize the Company's overall cost of funds.

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The Company supplemented deposit sources with brokered deposits. As of December 31, 2011, the Company had $28.2 million, or 2.82 percent of total deposits, in brokered certificates of deposit attracted by external third parties. Additionally, the banks use external wholesale or Internet services to obtain out-of-market certificates of deposit at competitive interest rates when funding is needed. As of December 31, 2011, the Company had $48.81 million, or 4.88 percent of total deposits, in external wholesale or internet network deposits.

To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, Colony and its subsidiaries have established multiple borrowing sources to augment their funds management. The Company has borrowing capacity through membership of the Federal Home Loan Bank program. The banks have also established overnight borrowing for Federal Funds Purchased through various correspondent banks. Management believes the various funding sources discussed above are adequate to meet the Company's liquidity needs in the future without any material adverse impact on operating results.

Liquidity measures the ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits and to take advantage of interest rate market opportunities. The ability of a financial institution to meet its current financial obligations is a function of balance sheet structure, the ability to liquidate assets, and the availability of alternative sources of funds. The Company seeks to ensure its funding needs are met by maintaining a level of liquid funds through asset/liability management.

Asset liquidity is provided by liquid assets which are readily marketable or pledgeable or which will mature in the near future. Liquid assets include cash, interest-bearing deposits in banks, securities available for sale, maturities and cash flow from securities held to maturity, and federal funds sold and securities purchased under resale agreements.

Liability liquidity is provided by access to funding sources which include core deposits. Should the need arise, the Company also maintains relationships with the Federal Home Loan Bank, Federal Reserve Bank, two correspondent banks and repurchase agreement lines that can provide funds on short notice.

Since Colony is a bank holding Company and does not conduct operations, its primary sources of liquidity are dividends up streamed from the subsidiary bank and borrowings from outside sources.

The liquidity position of the Company is continuously monitored and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Management is not aware of any events that are reasonably likely to have a material adverse effect on the Company's liquidity, capital resources or operations. In addition, management is not aware of any regulatory recommendations regarding liquidity, which if implemented, would have a material adverse effect on the Company.

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Impact of Inflation and Changing Prices

The Company's financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). GAAP presently requires the Company to measure financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession are generally not considered. The primary effect of inflation on the operations of the Company is reflected in increased operating costs. In management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. Interest rates are highly sensitive to many factors that are beyond the control of the Company, including changes in the expected rate of inflation, the influence of general and local economic conditions and the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities, among other things, as further discussed in the next section.

Regulatory and Economic Policies

The Company's business and earnings are affected by general and local economic conditions and by the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities, among other things. The Federal Reserve Board regulates the supply of money in order to influence general economic conditions. Among the instruments of monetary policy available to the Federal Reserve Board are (i) conducting open market operations in United States government obligations, (ii) changing the discount rate on financial institution borrowings, (iii) imposing or changing reserve requirements against financial institution deposits, and (iv) restricting certain borrowings and imposing or changing reserve requirements against certain borrowing by financial institutions and their affiliates. These methods are used in varying degrees and combinations to affect directly the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. For that reason alone, the policies of the Federal Reserve Board have a material effect on the earnings of the Company.

Governmental policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future; however, the Company cannot accurately predict the nature, timing or extent of any effect such policies may have on its future business and earnings.

Recently Issued Accounting Pronouncements

See Note 1 – Summary of Significant Accounting Policies under the section headed Changes in Accounting Principles and Effects of New Accounting Pronouncements included in the Notes to Consolidated Financial Statements.

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Quantitative and Qualitative Disclosures About Market Risk
AVERAGE BALANCE SHEETS

		2011			2010			2009
	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense
Assets								
Interest-Earning Assets								
Loans, Net of Unearned Income (1)	$763,067	$44,593	5.84%	$865,184	$51,859	5.99%	$962,677	$57,776
Investment Securities								
Taxable	296,948	7,012	2.36	264,494	6,762	2.56	232,590	7,934
Tax-Exempt (2)	3,345	171	5.11	2,521	140	5.55	6,378	374
Total Investment Securities	300,293	7,183	2.39	267,015	6,902	2.59	238,968	8,308
Interest-Bearing Deposits	18,715	47	0.25	21,911	22	0.10	788	1
Federal Funds Sold	44,667	115	0.26	38,809	95	0.25	9,392	24
Other Interest-Earning Assets	5,781	46	0.80	6,297	38	0.60	6,328	20
Total Interest-Earning Assets	1,132,523	51,984	4.59	1,199,216	58,916	4.92	1,218,153	66,129
Noninterest-Earning Assets								
Cash	19,057			19,347			21,011	
Allowance for Loan Losses	(20,585)			(30,445)			(19,513)	
Other Assets	74,896			81,489			66,767	
Total Noninterest-Earning Assets	73,368			70,391			68,265	
Total Assets	$1,205,891			$1,269,607			$1,286,418	
Liabilities and Stockholders' Equity								
Interest-Bearing Liabilities								
Interest-Bearing Demand and Savings	$273,783	$1,232	0.45%	$251,537	$1,636	0.65%	$237,045	$1,736
Other Time	633,033	11,718	1.85	700,558	15,576	2.22	708,315	19,907
Total Interest-Bearing Deposits	906,816	12,950	1.43	952,095	17,212	1.81	945,360	21,643
Other Interest-Bearing Liabilities								
Other Borrowed Money	71,720	3,010	4.20	85,920	3,074	3.58	91,000	3,103
Subordinated Debentures	24,229	508	2.10	24,229	516	2.13	24,229	659
Federal Funds Purchased and Repurchase Agreements	9,851	338	3.43	26,070	721	2.77	42,452	876
Total Other Interest-Bearing Liabilities	105,800	3,856	3.64	136,219	4,311	3.17	157,681	4,638
Total Interest-Bearing Liabilities	1,012,616	16,806	1.66	1,088,314	21,523	1.98	1,103,041	26,281
Noninterest-Bearing Liabilities and Stockholders' Equity								
Demand Deposits	93,903			82,160			71,561	
Other Liabilities	4,635			4,681			6,161	
Stockholders' Equity	94,737			94,452			105,655	
Total Noninterest-Bearing Liabilities and Stockholders' Equity	193,275			181,293			183,377	
Total Liabilities and Stockholders' Equity	$1,205,891			$1,269,607			$1,286,418	
Interest Rate Spread			2.93%			2.94%		

Net Interest Income	$35,178	$37,393	$39,848
Net Interest Margin	3.11%	3.12%	

(1) The average balance of loans includes the average balance of nonaccrual loans. Income on such loans is recognized and recorded on the cash basis. Taxable equivalent adjustments totaling $133, $130 and $155 for 2011, 2010 and 2009 respectively, are included in interest on loans. The adjustments are based on a federal tax rate of 34 percent.

(2) Taxable-equivalent adjustments totaling $58, $48 and $127 for 2011, 2010, and 2009 respectively, are included in tax-exempt interest on investment securities. The adjustments are based on a federal tax rate of 34 percent with appropriate reductions for the effect of disallowed interest expense incurred in carrying tax-exempt obligations.

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Colony Bankcorp, Inc. and Subsidiaries
Interest Rate Sensitivity

The following table is an analysis of the Company's interest rate-sensitivity position at December 31, 2011. The interest-bearing rate-sensitivity gap, which is the difference between interest-earning assets and interest-bearing liabilities by repricing period, is based upon maturity or first repricing opportunity, along with a cumulative interest rate-sensitivity gap. It is important to note that the table indicates a position at a specific point in time and may not be reflective of positions at other times during the year or in subsequent periods. Major changes in the gap position can be, and are, made promptly as market outlooks change.

	Assets and Liabilities Repricing Within					
	3 Months or Less	4 to 12 Months	1 Year	1 to 5 Years	Over 5 Years	Total
EARNING ASSETS:						
Interest-bearing Deposits	$28,957	$---	$28,957	$---	$---	$28,957
Federal Funds Sold	54,991	---	54,991	---	---	54,991
Investment Securities	2,225	10,710	12,935	211,470	79,532	303,937
Loans, Net of Unearned Income	295,902	139,575	435,477	266,406	14,381	716,264
Other Interest-bearing Assets	5,398	---	5,398	---	---	5,398
Total Interest-earning Assets	387,473	150,285	537,758	477,876	93,913	1,109,547
INTEREST-BEARING LIABILITIES:						
Interest-bearing Demand Deposits (1)	284,871	---	284,871	---	---	284,871
Savings (1)	41,231	---	41,231	---	---	41,231
Time Deposits	126,035	302,568	428,603	150,983	29	579,615
Other Borrowings (2)	13,500	27,500	41,000	----	30,000	71,000
Subordinated Debentures	24,229	----	24,229	---	---	24,229
Total Interest-bearing Liabilities	489,866	330,068	819,934	150,983	30,029	1,000,946
Interest Rate-Sensitivity Gap	(102,393)	(179,783)	(282,176)	326,893	63,884	108,601
Cumulative Interest-Sensitivity Gap	$(102,393)	$(282,176)	$(282,176)	$44,717	$108,601	
	(9.23)%	(16.20)%	(25.43)%	29.46 %	5.76 %	

Interest Rate-Sensitivity Gap as a Percentage of Interest-Earning Assets					
Cumulative Interest Rate-Sensitivity as a Percentage of Interest-Earning Assets	(9.23)%	(25.43)%	(25.43)%	4.03 %	9.79 %

(1) Interest-bearing Demand and Savings Accounts for repricing purposes are considered to reprice within 3 months or less.

(2) Short-term borrowings for repricing purposes are considered to reprice within 3 months or less.

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The foregoing table indicates that we had a one year negative gap of $282 million, or 25.43 percent of total assets at December 31, 2011. In theory, this would indicate that at December 31, 2011, $282 million more in liabilities than assets would reprice if there were a change in interest rates over the next 365 days. Thus, if interest rates were to decline, the gap would indicate a resulting increase in net interest margin. However, changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and our supporting liability can vary significantly while the timing of repricing of both the assets and our supporting liability can remain the same, thus impacting net interest income. This characteristic is referred to as a basis risk and, generally, relates to the repricing characteristics of short-term funding sources such as certificates of deposits.

Gap analysis has certain limitations. Measuring the volume of repricing or maturing assets and liabilities does not always measure the full impact on the portfolio value of equity or net interest income. Gap analysis does not account for rate caps on products; dynamic changes such as increasing prepay speeds as interest rates decrease, basis risk, or the benefit of non-rate funding sources. The majority of our loan portfolio reprices quickly and completely following changes in market rates, while non-term deposit rates in general move slowly and usually incorporate only a fraction of the change in rates. Products categorized as nonrate sensitive, such as our noninterest-bearing demand deposits, in the gap analysis behave like long term fixed rate funding sources. Both of these factors tend to make our actual behavior more asset sensitive than is indicated in the gap analysis. In fact, we experience higher net interest income when rates rise, opposite what is indicated by the gap analysis. Also, during the recent period of declines in interest rates, our net interest margin has declined. Therefore, management uses gap analysis, net interest margin analysis and market value of portfolio equity as our primary interest rate risk management tools.

The Company is now utilizing FTN Financial Asset/Liability Management Analysis for a more dynamic analysis of balance sheet structure. The Company has established earnings at risk for net interest income in a +/- 200 basis point rate shock to be no more than a fifteen percent percentage change. The most recent analysis as of December 31, 2011 indicates that net interest income would deteriorate 21.33 percent with a 200 basis point decrease and would improve 10.00 percent with a 200 basis point increase. Though slightly outside policy, the increased exposure to declining rates is mitigated by the low likelihood of a further decline of 200 basis points from the current rate levels. The Company has established equity at risk in a +/- 200 basis point rate shock to be no more than a twenty percent percentage change. The most recent analysis as of December 31, 2011 indicates that net economic value of equity percentage change would increase 1.54 percent with a 200 basis point increase and would decrease 17.52 percent with a 200 basis point decrease. The Company has established its one year gap to be 0.80 percent to 1.20 percent. The most recent analysis as of December 31, 2011 indicates a one year gap of 0.78 percent. The analysis reflects net interest margin compression in a declining interest rate environment. Given that interest rates have basically “bottomed-out” with the recent Federal Reserve action, the Company is anticipating interest rates to increase in the future though we believe that interest rates will remain flat most of 2012. The Company is focusing on areas to minimize margin compression in the future by minimizing longer term fixed rate loans, shortening on the yield curve with investments, securing longer term FHLB advances, securing certificates of deposit for longer terms and focusing on reduction of nonperforming assets.

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Return on Assets and Stockholder's Equity

The following table presents selected financial ratios for each of the periods indicated.

	Years Ended December 31		
	2011	2010	2009
Return on Average Assets(1)	0.09 %	(0.07)%	(0.60)%
Return on Average Equity(1)	1.20 %	(0.98)%	(19.45)%
Equity to Assets	8.08 %	7.29 %	6.83 %
Dividends Declared	$0.00	$0.00	$0.146

(1) Computed using net income available to common shareholders.

Future Outlook

During the past three years, the financial services industry experienced tremendous adversities as a result of the collapse of the real estate markets across the country. Colony, like most banking companies, has been affected by these economic challenges that started with a rapid stall of real estate sales and development throughout the country. Focus during 2011 and again in 2012 will be directed toward addressing and bringing resolution to problem assets.

During 2009, Colony made significant strides to reduce our operating leverage by seeking a more efficient structure and more consistent products and services throughout the Company. We successfully completed the consolidation of our seven banking subsidiaries into the single banking company – Colony Bank. The momentum created by this strategic move will allow Colony to improve future profitability while better positioning the Company to take advantage of future growth opportunities. In response to the elevated risk of residential real estate and land development loans, management has extensively reviewed our loan portfolio with a particular emphasis on our residential and land development real estate exposure. Senior management with experience in problem loan workouts have been identified and assigned responsibility to oversee the workout and resolution of problem loans. The Company will continue to closely monitor our real estate dependent loans throughout the Company and focus on asset quality during this economic downturn.

Business
Regulatory Action

On October 21, 2010, the Board of Directors of the Company's subsidiary bank, Colony Bank (the "Bank"), received notification from its primary regulators, the Georgia Department of Banking and Finance ("the Georgia Department") and the FDIC that the Bank's latest examination results require a program of corrective action as outlined in a proposed Memorandum of Understanding ("MOU"). An MOU is characterized by the supervising authorities as an informal action that is neither published nor made publically available by the supervising authorities and is used when circumstances do not warrant formal supervisory action. An MOU is not a "written agreement" for purposes of Section 8 of the Federal Deposit Insurance Act. The Board of Directors entered into the MOU at its regularly scheduled monthly meeting on November 16, 2010 with the effective date of the MOU being November 23, 2010.

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The MOU requires the Bank to develop, implement, and maintain various processes to improve the Bank's risk management of its loan portfolio, reduce adversely classified assets in accordance with certain timeframes, limit the extension of additional credit to borrowers with adversely classified loans subject to certain exceptions, adopt a written plan to properly monitor and reduce the Bank's commercial real estate concentration, continue to maintain the Bank's loan loss provision and review its adequacy at least quarterly, and formulate and implement a written plan to improve and maintain earnings to be forwarded for review by the Georgia Department and FDIC. The Bank is also required to obtain approval before any cash dividends can be paid.

The Bank has also agreed to have and maintain minimum capital ratios at specified levels higher than those otherwise required by applicable regulations as follows: Tier 1 leverage capital to total assets of 8% and total risk-based capital to total risk-weighted assets of 10%. At December 31, 2011, the Bank's capital ratios were 9.38% and 16.29%, respectively.

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Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is located in Item 7 under the heading Interest Rate Sensitivity.

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Financial Statements and Supplemental Data

The following consolidated financial statements of the Registrant and its subsidiaries are included on exhibit 13 of this Annual Report on Form 10-K:

Consolidated Balance Sheets – December 31, 2011 and 2010

Consolidated Statements of Income – Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Comprehensive Income – Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Stockholders' Equity – Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Cash Flows – Years Ended December 31, 2011, 2010 and 2009

Notes to Consolidated Financial Statements

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Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2011 and 2010:

	Three Months Ended			
	December 31	September 30	June 30	March 31
2011	($ in Thousands, Except Per Share Data)			
Interest Income	$12,439	$12,732	$13,095	$13,527
Interest Expense	3,594	3,989	4,514	4,709
Net Interest Income	8,845	8,743	8,581	8,818
Provision for Loan Losses	2,250	2,250	2,250	1,500
Securities Gains	979	813	736	396
Noninterest Income	1,774	1,610	1,935	1,708
Noninterest Expense	8,804	8,090	8,218	7,939
Income (Loss) Before Income Taxes	544	826	784	1,483
Provision for Income Taxes	164	268	245	427
Net Income (Loss)	380	558	539	1,056
Preferred Stock Dividends	350	350	350	350
Net Income (Loss) Available to Common Stockholders	$30	$208	$189	$706
Net Income (Loss) Per Common Share				
Basic	$0.00	$0.02	$0.02	$0.08
Diluted	$0.00	$0.02	$0.02	$0.08
2010				
Interest Income	$13,952	$14,441	$15,123	$15,222
Interest Expense	5,073	5,379	5,527	5,544
Net Interest Income	8,879	9,062	9,596	9,678
Provision for Loan Losses	2,500	4,200	3,400	3,250
Securities Gains	817	922	97	781
Noninterest Income	1,966	1,742	1,922	1,759
Noninterest Expense	8,732	9,115	7,696	8,313
Income (Loss) Before Income Taxes	430	(1,589)	519	655
Provision for Income Taxes	127	(555)	(2)	(29)
Net Income (Loss)	303	(1,034)	521	684
Preferred Stock Dividends	350	350	350	350
Net Income (Loss) Available to Common Stockholders	$(47)	$(1,384)	$171	$334
Net Income (Loss) Per Common Share				
Basic	$(0.01)	$(0.16)	$0.02	$0.05
Diluted	$(0.01)	$(0.16)	$0.02	$0.05

Item 9

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no accounting or disclosure disagreement or reportable event with the current auditors that would have required the filing of a report on Form 8-K.

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Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

During the year ended December 31, 2011, there was not any change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Colony's management is responsible for establishing and maintaining adequate internal control over financial reporting. Colony's internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Colony's financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Colony's management assessed the effectiveness of Colony's internal control over financial reporting as of December 31, 2011 based on the criteria for effective internal control over financial reporting established in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management determined that Colony maintained effective internal control over financial reporting as of December 31, 2011.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. The Company's registered public accounting firm was not required to issue an attestation on its internal controls over financial reporting pursuant to the rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Colony Bankcorp, Inc.
March 15, 2012

Changes in Internal Controls

There were no changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect these controls.

See the Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Item 9B

Other Information

None.

Part III
Item 10

Directors and Executive Officers and Corporate Governance

Code of Ethics

Colony Bankcorp, Inc. has adopted a Code of Ethics that applies to the Company's principal executive officer and principal accounting and financial officer. A copy of the Code of Ethics will be provided to any person without charge, upon written request mailed to Terry Hester, Colony Bankcorp, Inc., 115 S. Grant Street, Fitzgerald, Georgia 31750.

The remaining information required by this item is incorporated by reference to the Company's definitive Proxy Statements to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report.

Item 11

Executive Compensation

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report.

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Part III (Continued)
Item 12

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued Upon Stock Grant, Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved By Security Holders			
2004 Restricted Stock Grant Plan			$ 108,042
			$ 108,042

The remaining information required by this item is incorporated by reference to the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report.

Item 13

Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference to the Company's definitive Proxy Statements to be filed with Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the fiscal year covered by this Annual Report.

Item 14

Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the Company's definitive Proxy Statements to be filed with Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the fiscal year covered by this Annual Report.

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Part IV
Item 15

Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements

(2) Financial Statements Schedules:

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or the related notes.

(3) A list of the exhibits required by Item 601 of Regulation S-K to be filed as a part of this report is shown on the “Exhibit Index” filed herewith.

Exhibit Index

3.1	Articles of Incorporation	
		-filed as Exhibit 3(a) to the Registrant’s Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.
3.2	Bylaws, as Amended	
		-filed as Exhibit 3(b) to the Registrant’s Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.
3.3	Articles of Amendment to the Company’s Articles of Incorporation Authorizing Additional Capital Stock in the Form of Ten Million Shares of Preferred Stock	
		-filed as Exhibit 3.1 to the Registrant’s Current Report on Form 8-K (File No. 000-12436) filed with the Commission on January 13, 2009 and incorporated herein by reference.
3.4	Articles of Amendment to the Company’s Articles of Incorporation Establishing the Terms of the Series A Preferred Stock	
		-filed as Exhibit 3.2 to the Registrant’s Current Report on Form 8-K (File No. 000-12436) filed with the Commission on January 13, 2009 and incorporated herein by reference.
4.1	Instruments Defining the Rights of Security Holders	

		-incorporated herein by reference to page 1 of the Company's Definitive Proxy Statement for Annual Meeting of Stockholders to be held on April 26, 2005, filed with the Securities and Exchange Commission on March 2, 2005 (File No. 000-12436).
4.2	Warrant to Purchase up to 500,000 shares of Common Stock	
		-filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

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Part IV (Continued)
Item 15 (Continued)

4.3	Form of Series A Preferred Stock Certificate	
		-filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.
10.1	Deferred Compensation Plan and Sample Director Agreement	
		-filed as Exhibit 10(a) to the Registrant's Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.
10.2	Profit-Sharing Plan Dated January 1, 1979	
		-filed as Exhibit 10(b) to the Registrant's Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.
10.3	1999 Restricted Stock Grant Plan and Restricted Stock Grant Agreement	
		-filed as Exhibit 10© the Registrant's Annual Report on Form 10-K (File 000-12436), filed with the Commission on March 30, 2001 and incorporated herein by reference.
10.4	2004 Restricted Stock Grant Plan and Restricted Stock Grant Agreement	
		-filed as Exhibit C to the Registrant's Definitive Proxy Statement for Annual Meeting of Stockholders held on April 27, 2004, filed with the Securities and Exchange Commission on March 3, 2004 (File No. 000-12436) and incorporated herein by reference.
10.5	Lease Agreement – Mobile Home Tracks, LLC c/o Stafford Properties, Inc. and Colony Bank Worth	
		-filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10Q (File No. 000-12436), filed with Securities and Exchange Commission on November 5, 2004 and incorporated herein by reference.
10.6	Letter Agreement, Dated January 9, 2009, Including Securities Purchase Agreement – Standard Terms Incorporated by Reference Therein, Between the Company and the United States Department of the Treasury	
		-filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.
10.7	Form of Waiver, Executed by Each of Messrs Al D. Ross, Terry L. Hester, Henry F. Brown, Jr., Walter P. Patten and Larry E. Stevenson	

-filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

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Part IV (Continued)
Item 15 (Continued)

13	Consolidated Financial Statements of Colony Bankcorp, Inc. as of December 31, 2011 and 2010
21	Subsidiaries of the Company
31.1	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certificate of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Certificate of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 30.15 of 31 CFR Part 30
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Colony Bankcorp, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

COLONY BANKCORP, INC.

/s/ James D. Minix
James D. Minix
Interim President/Director/Chief Executive Officer

March 15, 2012
Date

/s/ Terry L. Hester
Terry L. Hester
Executive Vice-President/Chief Financial Officer/Director

March 15, 2012
Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ B. Gene Waldron B. Gene Waldron, Director	March 15, 2012 Date
/s/ Edward J. Harrell Edward J. Harrell, Director	March 15, 2012 Date
/s/ Mark H. Massee Mark H. Massee, Director	March 15, 2012 Date

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/s/ Charles E. Myler	March 15, 2012
Charles E. Myler, Director	Date
/s/ W. B. Roberts, Jr.	March 15, 2012
W. B. Roberts, Jr., Director	Date
/s/ Jonathan W. R. Ross	March 15, 2012
Jonathan W. R. Ross, Director	Date
/s/ M. Frederick Dwozan	March 15, 2012
M. Frederick Dwozan, Director	Date
/s/ Davis W. King, Sr.	March 15, 2012
Davis W. King, Sr., Director	Date
/s/ Scott Lowell Downing	March 15, 2012
Scott Lowell Downing, Director	Date