



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 21, 2007**

To the Shareholders of Community National Bank of the Lakeway Area:

The 2007 Annual Meeting of Shareholders of Community National Bank of the Lakeway Area (the "Bank") will be held at Community National Bank, Millennium Square Building, 225 West First North Street, Morristown, Tennessee 37814 on Monday, May 21, 2007 at 10:00 a.m., for the following purposes:

- (1) **Increasing Authorized Shares.** To amend the Bank's Articles of Association to increase the number of shares of authorized common stock from 2.4 million to 5.0 million shares.
- (2) **Eliminating Cumulative Voting.** To amend the Bank's Articles of Association to eliminate the provisions for cumulative voting in the election of directors.
- (3) **Electing Directors.** To elect five (5) directors to serve as Class I Directors of the Bank until the 2010 Annual Meeting of Shareholders and until their successors have been elected and qualified.
- (4) **Ratifying Auditors.** To ratify the appointment of Pershing Yoakley & Associates, P.C. as the independent auditors for the Bank for the fiscal year ending December 31, 2007.
- (5) **Adjourning Meeting.** To approve any adjournment of the meeting to another time or place, if necessary in the judgment of the Chair of the Meeting, for the purpose of soliciting additional proxies in favor of certain proposals or filing the amendments to the Bank's Articles of Association.
- (6) **Other Business.** To transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Only shareholders of record at the close of business on April 13, 2007 are entitled to notice of, and to vote at, the Meeting or any adjournments thereof. All shareholders, whether or not they expect to attend the Meeting in person, are requested to complete, date, sign and return the enclosed Proxy in the accompanying envelope.

In accordance with the requirements of 12 CFR Part 18, notice is hereby given that any person may obtain the annual disclosure statement of the Bank by contacting Darwin K. Kilday by telephone at (423) 587-2345 or in writing at P.O. Box 1919, Morristown, TN 37816.

By Order of the Board of Directors,

A handwritten signature in black ink that reads 'Samuel F. Grigsby, Jr.' The signature is written in a cursive style.

Samuel F. Grigsby, Jr.
Chairman and Chief Executive Officer

Morristown, Tennessee
April 20, 2007

Please read the attached Proxy Statement and then promptly complete, date, sign and return the enclosed proxy card in the postage-paid envelope. You can spare the Bank the expense of further proxy solicitation by returning your proxy card promptly.

**COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA
2007 ANNUAL MEETING OF SHAREHOLDERS
PROXY STATEMENT**

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COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA

**PROXY STATEMENT
FOR THE 2007 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 21, 2007**

INTRODUCTION

General

This Proxy Statement is being furnished to the shareholders of Community National Bank of the Lakeway Area, a banking association under the laws of the United States, in connection with the solicitation of proxies by the Bank's Board of Directors from holders of the Bank's common stock, for use at the 2007 Annual Meeting of Shareholders of the Bank to be held on Monday, May 21, 2007 at 10:00 a.m. local time at Community National Bank's main office, located at Millennium Square Building, 225 West First North Street, Morristown, Tennessee 37814, and at any adjournments or postponements thereof.

The Meeting is being held to consider and vote upon the proposal summarized under "Summary of Proposals" below and described in greater detail in this Proxy Statement. The Bank's Board of Directors knows of no other business that will be presented for consideration at the Meeting other than the matter described in this Proxy Statement.

The 2006 Annual Report to Shareholders, including financial statements for the fiscal year ended December 31, 2006, is included with this mailing. These proxy materials are first being mailed to the shareholders of the Bank on or about April 25, 2007.

The principal executive offices of the Bank are located at Millennium Square Building, 225 West First North Street, Morristown, Tennessee 37814, and our telephone number is (423) 587-2345.

Summary of Proposals

The proposals to be considered at the Meeting may be summarized as follows:

Proposal One. To amend the Bank's Articles of Association to increase the number of shares of authorized common stock from 2.4 million to 5.0 million shares.

Proposal Two. To amend the Bank's Articles of Association to eliminate the provisions for cumulative voting in the election of directors.

Proposal Three. To elect five (5) directors to serve as Class I Directors of the Bank until the 2010 Annual Meeting of Shareholders and until their successors have been elected and qualified.

Proposal Four. To ratify the appointment of Pershing Yoakley & Associates, P.C. as the independent auditors for the Bank for the fiscal year ending December 31, 2007.

Proposal Five. To approve any adjournment of the meeting to another time or place, if necessary in the judgment of the Chair of the Meeting, for the purpose of soliciting additional proxies in favor of certain proposals or filing the amendments to the Bank's Articles of Association.

The Board of Directors recommends that you vote FOR each of these proposals.

Record Date

The Board of Directors of the Bank has fixed the close of business on April 13, 2007 as the record date for determining the shareholders entitled to notice of, and to vote at, the Meeting. Accordingly, only holders of record of shares of common stock on the Record Date will be entitled to notice of, and to vote at, the Meeting. At the close of business on the Record Date, there were 1,822,876 shares of common stock issued and outstanding, which were held by approximately 792 holders of record.

Solicitation and Revocability of Proxies

Shares of common stock represented by properly executed Proxies, if such Proxies are received in time and not revoked, will be voted at the Meeting in accordance with the instructions indicated in such Proxies. **If no instructions are indicated, such shares of common stock will be voted “FOR” each of the Proposals identified in this Proxy Statement and in the discretion of the proxy holder as to any other matter that may properly come before the Meeting.**

A shareholder who has given a Proxy may revoke it at any time prior to its exercise at the Meeting by: (i) giving written notice of revocation to the Secretary of the Bank, (ii) properly submitting to the Bank a duly executed Proxy bearing a later date, or (iii) appearing in person at the Meeting and voting in person. All written notices of revocation or other communications with respect to proxies should be addressed as follows: Community National Bank of the Lakeway Area, P.O. Box 1919, Morristown, Tennessee 37816, Attention: Darwin K. Kilday, Secretary.

The Bank will pay the cost of proxy solicitation. Our directors, officers and employees may, without additional compensation, solicit proxies by personal interview, telephone, fax, or otherwise. We will direct brokerage firms or other custodians, nominees or fiduciaries to forward our proxy solicitation material to the beneficial owners of common stock held of record by these institutions and will reimburse them for the reasonable out-of-pocket expenses they incur in connection with this process.

Quorum and Voting Requirements

Holders of record of common stock as of the Record Date are entitled to vote on each matter to be considered and voted upon at the Meeting. To hold a vote on any proposal, a quorum must be present with respect to that proposal. A quorum is a majority of the total votes entitled to be cast by the holders of the outstanding shares of common stock. Based on the number of shares outstanding on the Record Date, a quorum will exist so long as votes representing 911,439 shares are present. We will count abstentions and broker non-votes, which are described below, in determining whether a quorum exists.

Abstentions. A shareholder who is present in person or by proxy at the Annual Meeting and who abstains from voting on any or all proposals will be included in the number of shareholders present at the Annual Meeting for the purpose of determining the presence of a quorum. Abstentions do not count as votes in favor of or against a given matter.

Broker Non-Votes. Brokers who hold shares for the accounts of their clients may vote these shares either as directed by their clients or in their own discretion if permitted by the exchange or other organization of which they are members. Proxies that contain a broker vote on one or more proposals but no vote on one or more other proposals are referred to as “broker non-votes” with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum. A broker non-vote, however, does not count as a vote in favor of or against a particular proposal for which the broker has no discretionary voting authority. Broker votes are permitted in connection with uncontested elections of directors and proposals to ratify the appointment of independent accountants.

Proposals One and Two, relating to the amendments to the Bank’s Articles of Association, will require the affirmative vote of the holders of the majority of the outstanding shares of common stock of the Bank, or at least 911,439 shares. Abstentions and Broker Non-Votes will have the affect of votes against these proposals.

Proposal Three, relating to the election of Class I Directors, will require approval by a plurality of the votes cast by the holders of shares of common stock entitled to vote with respect to that proposal. As a result, the five (5) nominees for Class I Director receiving the greatest number of votes will be elected. Abstentions and Broker Non-Votes will have no affect on the outcome of the vote with respect to this proposal.

Cumulative Voting. In the election of directors, holders of our common stock currently have the right to cumulate votes. Cumulative voting allows each shareholder to cast the number of votes which equals the number of shares he or she holds multiplied by the number of directors to be elected and to distribute such votes among any number of candidates as the shareholder chooses, including, casting all votes for one candidate. A shareholder desiring to cumulate his or her votes must provide notice to the Bank in advance of the Meeting in accordance with Tennessee law. The Board of Directors has proposed to eliminate cumulative voting for the reasons described in Proposal Two in this proxy statement. If Proposal Two is approved by shareholders and cumulative voting would, in the opinion of the Chair of the Meeting, result in a different outcome for Proposal Three, the Chair of the Meeting may seek to adjourn the Meeting to file the amendment described in Proposal Two with the Office of the Comptroller of the Currency before the vote is taken on Proposal Three.

Proposals Four and Five, as well as any other proposal that is properly brought before the Meeting, will require the affirmative vote of the majority of shares cast at the Meeting in person or by proxy and entitled to vote with respect to the proposals. Abstentions and Broker Non-Votes will have no effect on the outcome of the vote with respect to these proposals.

The Board of Directors recommends that you vote FOR each of these proposals.

PROPOSAL #1: INCREASING AUTHORIZED SHARES

General

Our Articles of Association currently authorize the issuance of up to 2,400,000 shares of common stock, \$1.00 par value. As of the Record Date, 1,822,876 shares were issued and outstanding and 298,333 shares were subject to currently outstanding stock options or were reserved in connection with future options or awards under the Bank's 2002 Stock Incentive Plan. After giving effect to such reserved shares, approximately 278,791 shares were available for issuance on the Record Date.

Our Board of Directors is proposing an amendment to our Articles of Association to increase the number of authorized shares of common stock of the Bank from 2,400,000 to 5,000,000. If the shareholders approve this proposal, the first paragraph of Article V of the Bank's Articles of Association will be amended to read as follows:

The authorized amount of capital stock of this association shall be 7,000,000 shares of capital stock, divided into 5,000,000 shares of common stock with a par value of \$1.00 per share and 2,000,000 shares of preferred stock, no par value; but said capital stock may be increased or decreased from time to time, according to the provisions of the laws of the United States.

At this time, approximately 76% of our authorized shares of common stock are outstanding and 88% of our authorized shares of common stock are outstanding or reserved for issuance. Assuming shareholder approval of the amendment, approximately 36% of our authorized shares of common stock will be outstanding and 42% of our authorized shares of common stock will be outstanding or reserved for issuance.

Purpose and Effect of the Proposed Amendment

Our Board of Directors believes that an increase in the number of shares of authorized stock as contemplated by the amendment is in the best short and long-term interest of the Bank and our shareholders. The Board believes that the current number of authorized shares does not give the Bank sufficient flexibility to issue stock for acquisitions or for general corporate purposes. In particular, if the Board determines that it would be appropriate to effect an acquisition through the exchange of common stock, conduct a stock offering or declare a dividend or split, the current number of unissued authorized shares might not be enough to complete such transactions. Although we cannot guarantee that any future acquisitions, stock offerings, dividends or splits will occur, the Board believes that the proposed increase in the number of authorized shares will provide the Bank with the flexibility necessary to maintain a reasonable stock price through future stock dividends or splits, or to issue shares in connection with an acquisition or other proper corporate purpose, without incurring the expense of convening a special shareholders' meeting or the delay of waiting until the next annual meeting.

If this proposal is approved, all authorized but unissued shares of common stock will be available for issuance from time to time for any proper purpose approved by the Board, including issuances in connection with stock-based benefit plans, future stock splits or dividends and issuances to raise capital or make acquisitions. Neither the Bank nor the Board currently has any arrangements, agreements or understandings with respect to the issuance or use of the additional shares of authorized common stock for which the Board is seeking approval. If this proposal is approved, all or any of the shares may be issued without further shareholder action, unless required by law or the rules of the Nasdaq Capital Market.

The newly authorized shares of common stock will, upon issuance, have all of the rights and privileges of common stock presently authorized. Existing shareholders do not have preemptive or similar rights to subscribe for or purchase any additional shares of common stock that we may issue in the future. Therefore, future issuances of common stock other than issuances on a pro rata basis to all shareholders would reduce each shareholder's proportionate interest in the Bank.

The Board does not consider the increase in authorized shares of common stock to be an anti-takeover measure. However, an increase in the authorized number of shares of common stock could have an anti-takeover effect. If we issue additional shares in the future, such an issuance could dilute the voting power of a person seeking control of the Bank, thereby making an attempt to acquire control of the Bank more difficult or expensive. Therefore, the increase in authorized shares may render more difficult or discourage entirely a merger, tender offer or proxy contest or the assumption of control by a holder of a large block of the Bank's stock. Mergers and other business combinations sometimes result in shareholders receiving a premium over the market price for their shares of stock.

Although the Bank is aware of two non-director shareholders who have each filed a Schedule 13D, which indicates ownership in excess of five percent of the Bank's outstanding common stock, Proposal One is not in response to any specific effort by either such shareholder group or any other shareholder or group of shareholders to obtain representation on the Board of Directors or acquire greater influence in the management of the Bank's business. Further, it is not in response to any attempt to acquire control of the Bank, nor is the Bank or management aware of any such attempt.

Vote Required to Approve Proposal

The approval of the amendment to the Articles of Association to increase the number of authorized shares requires approval by the affirmative vote of the holders of the majority of the outstanding shares of common stock of the Bank, or at least 911,439 shares. Abstentions and Broker Non-Votes will have the effect of votes against this proposal.

Effectiveness of Change

If the proposal to increase the number of authorized shares is approved at the Meeting, the Bank will deliver, as soon as reasonably practicable, to the Office of the Comptroller of the Currency Articles of Amendment reflecting such approval, and the change will be effective as of the date of such filing.

**The Board of Directors recommends that you vote FOR
the increase in authorized shares of common stock.**

PROPOSAL #2: ELIMINATING CUMULATIVE VOTING

General

Our Articles of Association currently require cumulative voting with respect to the election of directors. Under cumulative voting, each shareholder is permitted to give one candidate that number of votes equal to the number of directors to be elected multiplied by the number of shares owned, or to divide them among the nominees as the shareholder sees fit.

For example, if there are five board positions to be filled, a shareholder with 100 shares may cast 500 votes (5 x 100). These votes may be cast for a single nominee or for more than one nominee, as the shareholder directs in his or her proxy.

Our Board of Directors is proposing an amendment to our Articles of Association to eliminate cumulative voting with respect to the election of directors. As a result, each shareholder of the Bank would be entitled to one vote for each share held by such shareholder on all matters. If the shareholders approve this proposal, the Paragraph C of Article IV of the Bank's Articles of Association would be amended to read as follows:

C. Election of Directors; Voting. Directors shall be elected by a plurality of the votes cast in the election. Cumulative voting is not permitted with respect to the election of directors. On all questions, each common shareholder shall be entitled to one vote for each share of stock held by such shareholder. If preferred stock with voting rights has been authorized by the directors pursuant to ARTICLE V, the preferred shareholders will have the voting rights set forth in the directors' resolution authorizing the issuance of such preferred shares.

As a result of cumulative voting, a shareholder owning a relatively small number of the Bank's outstanding shares of common stock can have the power to cause at least one person to be elected as a director, even if a majority of shareholders supports different nominees.

Background

The National Bank Act and the Office of the Comptroller of the Currency have historically required national banks to provide for cumulative voting with respect to the election of directors. Last year, Congress passed, and President Bush signed into law, The Financial Services Regulatory Relief Act of 2006 (the "Regulatory Relief Act"). The Regulatory Relief Act amended the National Bank Act to provide that cumulative voting for directors is optional for national banks. The District Counsel for the Office of the Comptroller of the Currency subsequently advised the Bank's counsel that national banks may amend their Articles of Association to remove cumulative voting.

In testimony before Congress in connection with the passage of the Regulatory Relief Act, the Office of the Comptroller of the Currency testified in favor of eliminating of the requirement to use cumulative voting. The testimony noted that the prior law precluded a national bank from prescribing the method for election of directors that best suited its business goals and needs, and recommended eliminating the requirement for cumulative voting in order to modernize the National Bank Act to conform with modern corporate codes.

Tennessee state banks, as well as national banks with Tennessee holding companies are not, and historically have not been, required to have cumulative voting. A review of the publicly held Tennessee-

headquartered banks and bank holding companies that report to the SEC found that fifteen of the sixteen public financial institutions do not have cumulative voting for the election of their directors. The review specifically noted that the largest Tennessee-headquartered financial institutions, including First Horizon, Pinnacle Financial, Greene County Bancshares, Wilson Bank Holding Company, First Security Group, Civitas Bankgroup and First Farmers and Merchants Corporation, all use a plurality-based system for electing directors rather than cumulative voting. In addition, fewer than 10% of the companies in the Standard & Poor's 500 Index have cumulative voting.

Purpose and Effect of the Proposed Amendment

The Board believes that cumulative voting may threaten to undermine effective Board functioning in at least three important respects. First, it is the Board's duty to represent the interest of all of the Bank's shareholders. To do so, each director must recognize a responsibility toward all shareholders, without any special loyalty to any one group. Cumulative voting, however, can permit a well-organized shareholder block to elect "special interest" directors, whose primary concern would be to represent the interests of the narrow constituency that elected them rather than the interests of all shareholders. Under a cumulative voting method, each shareholder is entitled to cast votes equal to the number of shares that the shareholder owns multiplied by the number of directors to be elected. Thus, all of a shareholder's votes could be cast for a single candidate or distributed among several director nominees. From this perspective, cumulative voting is undesirable because the aims of any "special interest" directors elected under a cumulative voting method may be adverse to the Bank and its shareholders as a whole and therefore could affect the Board's ability to act on behalf of the Bank and all of its shareholders. By eliminating cumulative voting, the Bank would adopt a one vote per share, or straight voting, method of selecting directors thereby preventing such "special interest" directors. The Board believes this would promote the election of directors based on their ability and commitment to represent the best interests of the Bank and the shareholders as a whole.

Second, cumulative voting may permit a minority shareholder to obtain the power to exert an undue influence over the management and Board of Directors of the Bank, potentially causing harm to the majority of shareholders. Even if not sufficient to elect a "special interest" director, a minority shareholder's ownership may be sufficient to exert significant influence on the management and directors of the Bank. This influence may be adverse to the Bank and its shareholders as a whole and therefore could affect the Board's ability to act on behalf of the Bank and all of its shareholders.

Third, the Board believes that cumulative voting introduces the possibility of partisanship and divisiveness among Board members, which could undermine the ability of Board members to work together effectively. If narrow constituencies of stockholders were to elect "special interest" directors through cumulative voting, the resulting inability of those directors to exercise independent judgment could disrupt and impair the Board's sound analysis and timely handling of the Bank's business, to the overall detriment of the Bank and its shareholders. The variety and complexity of issues facing the Bank require that no actual or apparent "special influences" bring into question the objectivity of the Board's insight, perspective or counsel.

The Board believes that non-cumulative voting is more likely to provide representation of the share interests of all shareholders. When cumulative voting is not present, each director is elected by plurality vote and therefore a single shareholder or group may not elect a director who is not supported by a plurality of the Bank's shareholders. The Board believes that a non-cumulative, plurality system is consistent with the amended National Bank Act and the corporate laws of most jurisdictions, including Tennessee, and will best insure that the Board will act for the benefit of all shareholders.

If the proposed amendment is approved eliminating cumulative voting, each shareholder will have one vote per share for each position of the Board up for election. Votes will not be allocated among directors. Each of the Bank's directors will be elected by the vote of a plurality of the votes cast at the meeting by shareholders entitled to vote in the election of directors of the Bank.

The Board does not consider the elimination of cumulative voting to be an anti-takeover measure. The elimination of cumulative voting in the election of directors, however, may make it more difficult for a shareholder who acquires a substantial minority of shares to obtain representation on the Board. To the extent that it impedes the ability of a shareholder to obtain representation, the proposed amendment may render more difficult any attempt by a minority holder or group of holders of voting shares to monitor, change or influence the management or policies of the Bank, and might be viewed as perpetuating incumbent management. In addition, the elimination of cumulative voting may render more difficult or discourage entirely a merger, tender offer or proxy contest or the assumption of control by a holder of a large block of the Bank's stock.

Although the Bank is aware of two non-director shareholders who have each filed a Schedule 13D, which indicates ownership in excess of five percent of the Bank's outstanding common stock, Proposal Two is not in response to any specific effort by either such shareholder group or any other shareholder or group of shareholders to obtain representation on the Board of Directors or acquire greater influence in the management of the Bank's business. Further, it is not in response to any attempt to acquire control of the Bank, nor is the Bank or management aware of any such attempt.

Vote Required to Approve Proposal

The approval of the amendment to the Articles of Association to eliminate cumulative voting requires approval by the affirmative vote of the holders of the majority of the outstanding shares of common stock of the Bank, or at least 911,439 shares. Abstentions and Broker Non-Votes will have the effect of votes against this proposal.

Effectiveness of Change

If the proposal to eliminate cumulative voting is approved at the Meeting, the Bank will deliver, as soon as reasonably practicable, to the Office of the Comptroller of the Currency Articles of Amendment reflecting such approval, and the change will be effective as of the date of such filing.

If Proposal Two is approved by shareholders and cumulative voting would, in the opinion of the Chair of the Meeting, result in a different outcome for the election of directors under Proposal Three, the Chair of the Meeting may seek to adjourn the Meeting to file the amendment described in Proposal Two with the Office of the Comptroller of the Currency before the vote is taken on the election of directors described in Proposal Three. Therefore, cumulative voting may or may not be in place for the election of directors at the 2007 Annual Meeting of Shareholders and the Bank is soliciting proxies under each method of director elections.

**The Board of Directors recommends that you vote FOR
the elimination of cumulative voting with respect to the election of directors.**

PROPOSAL #3: ELECTING DIRECTORS

Director Nominees

The Bank's Board of Directors consists of thirteen members and is divided into three classes. Each class of directors serves a staggered three-year term. The term of each class expires at the annual meeting in the years indicated below and upon the election and qualification of the director's successor. The Class I Director term expires at the 2007 Annual Meeting and upon the election and qualification of the Class I Directors' successors. The Board of Directors has unanimously decided to re-nominate the current Class I Directors for another term, based on the recommendations of the Nominating Committee.

The Board of Directors unanimously recommends that the shareholders elect the persons identified below as Class I Director Nominees to serve as Class I Directors of the Bank until the 2010 Annual Meeting of Shareholders and until their successors have been elected and qualified.

The following table shows for each Class I Director nominee: (1) his name; (2) his age at December 31, 2006; (3) how long he has been a director of the Bank; (4) his position(s) with the Bank, other than as a director; and (5) his principal occupation and business experience for the past five years. Except as otherwise indicated, each nominee has been engaged in his present principal occupation for more than five years.

Class I Director Nominees – Terms to Expire in 2010

<u>Name (Age)</u>	<u>Director Since</u>	<u>Positions and Business Information</u>
Samuel F. Grigsby, Jr. (53)	2003	Mr. Grigsby is Chairman and Chief Executive Officer of the Bank. From 1994 to February 2002, Mr. Grigsby was a director and Chief Executive Officer of Union Planters Bank.
Charles A. Hughes (61)	2003	Mr. Hughes is President of the Bank. Mr. Hughes was Executive Vice President and Chief Lending Officer for Union Planters Bank from 1996 until February 2002.
Darwin K. Kilday (52)	2003	Mr. Kilday is Secretary, Executive Vice President and Chief Financial Officer of the Bank. From 1997 to March 2002, he was the Executive Vice President of Union Planters Bank and served as Senior Commercial Lender.
M. Edward Stiner, Jr. (52)	2003	Mr. Stiner is the Regional President of the Bank's Jefferson County operation. From 1994 to February 2002, he served as Area Executive for BB&T in Jefferson County.
Steven J. Adams (59)	2003	Mr. Adams currently is an independent business consultant to the bedding and furniture industry. Until July of 2005 he was the owner and President of the Johnson Easel Company, an easel manufacturing company, in Jefferson City. Prior to that, he was the owner and President of Option Spring Products for four years and was the Branch Manager of the Steadley Company for over 20 years.

The Board of Directors recommends that you vote FOR the election of each of the five(5) of the nominees listed above.

Continuing Directors

The following two tables show for each director who's term has not yet expired: (1) his or her name; (2) his or her age at December 31, 2006; (3) how long he or she has been a director of the Bank; (4) his or her position(s) with the Bank, other than as a director; and (5) his or her principal occupation and business experience for the past five years. Except as otherwise indicated, each director has been engaged in his or her present principal occupation for more than five years.

Class II Directors – Terms Expire in 2008

<u>Name (Age)</u>	<u>Director Since</u>	<u>Positions and Business Information</u>
Ronald D. Ailey (50)	2003	Mr. Ailey has been a co-owner of Burke-Ailey Construction, a commercial construction company, since 1986.
Uriel Edde, Jr. (77)	2003	Mr. Edde has been President of Edde Chevrolet, Inc., an automobile dealership, since 1959.
Eric N. Ward (48)	2003	Mr. Ward has been the Agency Manager for the Hamblen County Office of Tennessee Farmers Mutual Ins. Co., and insurance agency, since 1997.

Class III Directors – Terms Expire in 2009

<u>Name (Age)</u>	<u>Director Since</u>	<u>Positions and Business Information</u>
Mary Maude Briggs (61)	2003	Ms. Briggs has served as both President and Chief Executive Officer of Morrison Communications, Inc., a large commercial printing company, since 1965.
Jerry C. Cranford (62)	2003	Mr. Cranford is retired. He served as the President of C&C Woodworking Consultants, Inc. from March, 2001 until the corporation ceased operations in February, 2003 and previously was Director of Manufacturing and Quality for Universal Furniture Company, both furniture industry companies, for twelve years.
Claude Leroy Royston (60)	2003	Mr. Royston has been President of Royston Chrysler, Dodge, Jeep-Morristown, Tennessee, an automobile dealership, since 1991.
J. Armistead Smith (71)	2003	Mr. Smith has served as Chairman of the Board of Directors of American Trust Bank of East Tennessee since February, 2004. From 1985 through 2000, he was associated with Union Planters Corporation and Union Planters Bank, N.A. Mr. Smith was the Vice-Chairman of Union Planters Corporation and President of Union Planters Bank – Knoxville, Senior Credit Officer of Union Planters Corporation, and Regional President of Union Planters Corporation Banks in East Tennessee, Kentucky and Alabama.
Donald K. Watson (63)	2003	Mr. Watson is retired. He served as the President and General Manager of Morristown, Ford, Inc., an automobile dealership, from 1987 to 2004.

Director Independence

The Board of Directors has determined that the following directors are independent pursuant to the independence standards of the Nasdaq Stock Market:

- Steven J. Adams
- Ronald D. Ailey
- Mary Maude Briggs
- Jerry C. Cranford
- Uriel Edde, Jr.
- Claude Leroy Royston
- J. Armistead Smith
- Eric N. Ward
- Donald K. Watson

In determining that each director could exercise independent judgment in carrying out his or her responsibilities, the Board of Directors considered all transactions, relationships and arrangements between the Bank and the director and his or her family. Specifically, the Board reviewed Messrs. Adams and Smith's ownership position (with Mr. Stiner, Jr.) in Lakeway Broadcasting LLC, which owns the local radio station in Jefferson City, Tennessee. The Bank has spent less than \$3,000 annually in advertising at the radio station, and Messrs. Adams, Stiner and Smith are excluded from all Bank discussions regarding radio advertising in Jefferson City. The Bank does not have a lending relationship with Lakeway Broadcasting LLC or the local radio station, although the radio station does maintain deposit accounts with the Bank. Neither Lakeway Broadcasting LLC nor the local radio station provides any accounting, consulting, legal, investment banking or financial advisory services to the Bank. The Board does not believe this relationship affects the independent judgment of Messrs. Adams or Smith in carrying out their responsibilities as a director of the Bank.

Board Meetings and Committees

The Board of Directors of the Bank held twelve meetings during 2006. All of the incumbent directors attended at least 75% of the total number of meetings of the Board of Directors and the Board committees on which they served.

The Bank does not have a formal policy regarding its Board members' attendance at the Annual Meeting of Shareholders; however, Directors are encouraged to attend any and all shareholder meetings. All of the Directors in office at the time of the 2006 Annual Meeting of Shareholders attended the meeting.

Nominations. The Bank's Nominating Committee is comprised of Uriel Edde, Jr., Jerry Cranford, Leroy Royston and Don Watson, each of whom are independent directors under the independence standards of the Nasdaq Stock Market. In addition, the Bank's Chief Executive Officer and President may participate in committee meetings in an ex-officio capacity. The committee did not meet in 2006. The Board of Directors has not adopted a formal charter for the committee. Rather, in accordance with Nasdaq rules, the Bank's Board of Directors has adopted a set of resolutions regarding the director nomination process.

The committee is responsible for recommending nominations and considering shareholder recommendations, and for making recommendations to the independent members of the Board of Directors for presentation to the full Board of Directors. The committee has not adopted a formal policy or process for identifying or evaluating nominees. The committee informally solicits and considers recommendations from a variety of sources, including other directors, members of the community, customers and shareholders of the Bank, and professionals in the financial services and other industries. Similarly, the committee does not prescribe any specific qualifications or skills that a nominee must possess, although they consider the potential nominee's business experience; knowledge of the Bank and

the financial services industry; experience in serving as a director of the Bank or another financial institution or public company generally; wisdom, integrity and analytical ability; familiarity with and participation in the communities served by the Bank; commitment to and availability for service as a director.

The committee will consider shareholder nominations for directors that are made in writing and delivered between 14 and 50 days before a meeting at which directors are to be elected, although if less than 21 days' notice of the meeting is provided to shareholders, the nomination must be delivered by the close of business on the seventh day after the date on which the notice was mailed. The nomination must state, to the extent known to the notifying shareholder: (1) the proposed nominee's name and address; (2) all of the information relating to the nominee that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities and Exchange Act of 1934, as amended, including appropriate biographical information; (3) the written consent of the nominee to be named in the proxy statement and to serve as a director if elected; (4) a statement as to the qualification of the nominee; and (5) the recommending shareholder's name, address and number of shares owned. Nominations not made in accordance with this procedure may be disregarded by the chair of the meeting at which the election is to be held.

In February 2006, the Board of Directors amended the bylaws of the Bank to add a residency requirement for individuals to be eligible to serve on the Board of Directors of the Bank. The Board believes that requiring directors to reside in the service area of the Bank is beneficial to the Bank's competitive strength and provides the Bank with a knowledgeable and highly functioning board of directors. In order to be eligible to serve on the Bank's Board of Directors, an individual must have resided in a county in which the Bank maintains a banking office, or a county contiguous to such a county, for at least three years immediately prior to his or her election. See "Bylaw Amendments" on page 22 of this Proxy Statement for additional information.

Audit Committee. The Bank's Audit Committee is comprised of Steven J. Adams, Ronald D. Ailey, Mary Maude Briggs, Jerry C. Cranford, J. Armistead Smith and Eric N. Ward, each of whom are independent directors under the independence standards of the Nasdaq Stock Market. The committee met six times in 2006. The Board of Directors has determined that J. Armistead Smith meets the criteria specified under applicable Securities and Exchange Commission regulations of an "audit committee financial expert," and that each member of the committee has the financial knowledge, business experience and independent judgment necessary for service on the committee.

The committee is directly responsible for the appointment and dismissal, compensation, and oversight of the Bank's independent auditors, and may not delegate any of such responsibilities to others. The committee assists the Board in its oversight of (1) the integrity of the Bank's financial statements, (2) the Bank's compliance with legal and regulatory requirements, (3) the independent auditors' qualifications and independence, and (4) the performance of the Bank's internal audit function and the Bank's independent auditors.

The committee does not prepare financial statements on behalf of the Bank or perform the Bank's audits, and its members are not the Bank's auditors and do not certify the Bank's financial statements. These functions are performed by the Bank's management and independent auditors.

A copy of the committee charter is available on the Bank's website, www.cnbla.com.

The Audit Committee Report is found in the "Audit Committee Matters" section on page 21 of this Proxy Statement.

Compensation Committee. The Bank's Compensation Committee is comprised of Jerry C. Cranford, Mary Maude Briggs and Eric N. Ward, each of whom are independent directors under the independence standards of the Nasdaq Stock Market. In addition, the Bank's Chief Executive Officer and President may participate in committee meetings in an ex-officio capacity; provided, however, neither officer may be present during any voting or deliberations regarding their compensation. The committee met two times in 2006. This committee has the authority to determine the compensation of the Bank's executive officers and employees, and administers the Bank's benefit and incentive plans. The committee is appointed by the Board to discharge the Board's responsibilities relating to compensation of the Bank's directors and officers and to carry out such other responsibilities as may be assigned to the committee by the Board from time to time. The committee has overall responsibility for evaluating the director and officer compensation plans and compensation policies and programs of the Bank, and submitting such evaluations to the independent directors of the entire Board for their approval.

The committee has the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, Chief Executive Officer, President or senior executive compensation and the authority to approve the consultant's fees and other retention terms. The committee also has authority to obtain advice and assistance from internal or external legal, accounting or other advisors. In 2006, the committee did not retain a compensation consultant.

The committee annually reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and President, evaluates the performance of the Chief Executive Officer and the President in light of those goals and objectives, including their adherence to the Bank's Code of Conduct, and recommends to the Board their compensation levels. In recommending the long-term incentive component of their compensation, the committee considers among other relevant factors, the Bank's performance and relative shareholder return, the value of incentive awards to comparable positions at comparable companies, and the awards given in past years. The committee annually reviews and makes recommendations to the Board with respect to the compensation of all directors and senior executives, including incentive-compensation plans and equity-based plans. The committee may form and delegate authority to subcommittees when appropriate.

A copy of the committee charter is available on the Bank's website, www.cnbla.com.

Director Compensation

Director Fees. As recommended by the Compensation Committee and approved by the Board of Directors on September 18, 2006, directors receive \$500 for each Board meeting attended and \$150 for each additional committee meeting attended, effective October 31, 2006. The Chair of the Audit Committee receives \$400 per meeting of the Audit Committee in light of the additional time and responsibility of that position.

2006 Director Compensation Table

The following table shows the total fees paid in 2006 to each of our directors for their service on the Board of Directors:

Name ⁽¹⁾	Fees earned or paid in cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non- Qualified Deferred Comp Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mr. Adams	5,000	-	-	-	-	-	5,000
Mr. Ailey	5,150	-	-	-	-	-	5,150
Ms. Briggs	4,900	-	-	-	-	-	4,900
Mr. Cranford	6,500	-	-	-	-	-	6,500
Mr. Edde, Jr.	4,750	-	-	-	-	-	4,750
Mr. Kilday ⁽²⁾	5,250	-	-	-	-	-	5,250
Mr. Royston	5,500	-	-	-	-	-	5,500
Mr. Smith	5,000	-	-	-	-	-	5,000
Mr. Stiner, Jr. ⁽²⁾	4,750	-	-	-	-	-	4,750
Mr. Ward	5,650	-	-	-	-	-	5,650
Mr. Watson	4,800	-	-	-	-	-	4,800

⁽¹⁾ Messrs. Grigsby, Jr. and Hughes are the Named Executive Officers of the Bank and their compensation as directors is reported in the "Executive Compensation" section on page 18 of this Proxy Statement.

⁽²⁾ Messrs. Kilday and Stiner, Jr. also receive compensation for services provided as executive officers of the Bank, but such compensation is less than the disclosure threshold under SEC regulations. The table above reports only the additional compensation paid to Messrs. Kilday and Stiner, Jr. for services provided as a director.

Vote Required to Elect Directors

The election of a Class I Director will require approval by a plurality of the votes cast by the holders of shares of common stock entitled to vote with respect to that proposal. As a result, the five (5) nominees for Class I Director receiving the greatest number of votes will be elected. Abstentions and Broker Non-Votes will have no affect on the outcome of the vote with respect to this proposal.

In the election of directors, holders of our common stock currently have the right to cumulate votes. Cumulative voting allows each shareholder to cast the number of votes which equals the number of shares he or she holds multiplied by the number of directors to be elected and to distribute such votes among any number of candidates as the shareholder chooses, including, casting all votes for one candidate. A shareholder desiring to cumulate his or her votes must provide notice to the Bank in advance of the Meeting in accordance with Tennessee law. The Board of Directors has proposed to eliminate cumulative voting for the reasons described in Proposal Two in this proxy statement. If Proposal Two is approved by shareholders and cumulative voting would, in the opinion of the Chair of the Meeting, result in a different outcome for Proposal Three, the Chair of the Meeting may seek to adjourn the Meeting to file the amendment described in Proposal Two with the Office of the Comptroller of the Currency before the vote is taken on Proposal Three.

PROPOSAL #4: RATIFYING AUDITORS

General

The Audit Committee of the Board of Directors has appointed the firm of Pershing Yoakley & Associates, P.C. to serve as the Bank's independent registered public accounting firm for the fiscal year ending December 31, 2007, and the Board has directed that the appointment be submitted to our shareholders for ratification at the Annual Meeting. If the shareholders do not ratify the appointment of Pershing Yoakley & Associates, P.C., the Audit Committee will reconsider the appointment. Additional information about the independent registered public accounting firm, including the fees paid by the Bank can be found in the "Audit Committee Matters" section on page 21 of this Proxy Statement.

A representative of Pershing Yoakley & Associates, P.C., is expected to be present at the 2007 Annual Meeting of Shareholders and will be given the opportunity to make a statement on behalf of the firm if he or she so desires and is expected to be available to respond to appropriate questions from shareholders.

On September 22, 2006, the Audit Committee voted unanimously to engage Pershing Yoakley & Associates, P.C. as the Bank's independent registered accounting firm beginning with the December 31, 2006 audit. Pugh & Co. resigned as the Bank's independent registered accounting firm after completing its review of the financial statements included in the Bank's Quarterly Report for the Quarter ended September 30, 2006. Pugh & Company, P.C. has indicated that it no longer intends to audit public reporting companies. It is anticipated, however, that Pugh & Company, P.C. will render consulting and other non-audit services to the Bank in the future.

Prior to the engagement, the Bank did not consult with Pershing Yoakley & Associates, P.C. regarding the application of accounting principles to a specific completed or contemplated transaction or any matter that was either the subject of a disagreement or a reportable event. The Bank also did not consult with Pershing Yoakley & Associates, P.C. regarding the type of audit opinion that might be rendered on the Bank's financial statements.

The reports of Pugh & Company, P.C. on the Bank's financial statements for the fiscal years ended December 31, 2005 and 2004 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. In connection with its audits for the fiscal years ended December 31, 2005 and 2004 and during the subsequent interim period, there have been no disagreements with Pugh & Company, P.C. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that, if not resolved to the satisfaction of Pugh & Company, P.C., would have caused such firm to make reference to the subject matter of the disagreement(s) in connection with its reports.

Vote Required to Approve Proposal

The ratification of the independent auditor requires the affirmative vote of the majority of shares cast at the Meeting in person or by proxy and entitled to vote with respect to the proposals. Abstentions and Broker Non-Votes will have no effect on the outcome of the vote with respect to this proposal.

The Board of Directors recommends that you vote FOR the ratification of Pershing Yoakley & Associates, P.C., as the Bank's independent auditors.

PROPOSAL #5: ADJOURNING THE MEETING

General

If at the Meeting the number of shares of our common stock voting for Proposal One relating to the increase in authorized shares of common stock or Proposal Two relating to the elimination of cumulative voting is insufficient to approve such proposals, we intend to adjourn the annual meeting for the purpose of soliciting additional proxies in favor of these proposals.

If at the Meeting the number of shares of our common stock voting to elect the nominees listed in Proposal Three above is insufficient to elect all of such nominees, we intend to adjourn the annual meeting for the purpose of soliciting additional proxies in favor of the nominees identified.

If the Chair of the Meeting determines that it is necessary to adjourn the meeting for one of these reasons, we will ask shareholders to vote only on the adjournment proposal.

In addition, if the elimination of cumulative voting is approved by the shareholders and, in the sole determination of the Chair of the Meeting, the results of the election of directors under Proposal Three would be affected by whether cumulative voting is used, we intend to adjourn the annual meeting for the purpose of filing Articles of Amendment with the Office of the Comptroller of the Currency which will have the effect of eliminating cumulative voting. If the Chair of the Meeting determines that it is necessary to adjourn the meeting for this reason, we will ask shareholders to vote on the adjournment proposal prior to the election of directors.

The Board believes that it is in the best interest of the Bank and all shareholders to seek approval of all of these proposals at the 2007 Annual Meeting of Shareholders rather than incur the costs and expenses related to holding multiple special meetings of shareholders. By permitting the Meeting to be adjourned for the circumstances discussed above, the Board believes that the costs of additional shareholder meetings can be avoided.

If sufficient votes are present at the Meeting to approve Proposals One, Two and Three, then the Chair of the Meeting will not seek adjournment of the Meeting.

Under applicable law, if the Meeting is adjourned to another time or place, no new notice need be delivered to our shareholders if such time or place is announced at the Meeting prior to adjournment unless the meeting is adjourned to a date more than four (4) months after the original date or additional items of business, not addressed in the original notice of the Meeting, are to be considered. In addition, only those shareholders entitled to vote at the Meeting shall be entitled to vote at any adjourned meeting.

Vote Required to Approve Proposal

The adjournment of the Meeting requires the affirmative vote of the majority of shares cast at the Meeting in person or by proxy and entitled to vote with respect to the proposals. Abstentions and Broker Non-Votes will have no effect on the outcome of the vote with respect to this proposal.

**The Board of Directors recommends that you vote FOR
the adjournment of the Meeting in the event that the Chair of the Meeting
deems such adjournment appropriate as discussed above.**

EXECUTIVE OFFICERS

Executive officers are appointed annually at the meetings of the Boards of Directors of the Bank, to serve until their successors are chosen and qualified. The following table sets forth for each executive officer of the Bank: (1) the person's name; (2) his age at December 31, 2006; (3) the year he was first elected as an executive officer of the Bank; and (4) his positions with the Bank, and his recent business experience for the past five years.

<u>Name (Age)</u>	<u>Officer Since</u>	<u>Business Experience and Position with the Bank</u>
Samuel F. Grigsby, Jr. (53)	2003	Mr. Grigsby is Chairman and Chief Executive Officer of the Bank. From 1994 to February 2002, Mr. Grigsby was a director and Chief Executive Officer of Union Planters Bank.
Charles A. Hughes (61)	2003	Mr. Hughes is President of the Bank. Mr. Hughes was Executive Vice President and Chief Lending Officer for Union Planters Bank from 1996 until February 2002.
Darwin K. Kilday (52)	2003	Mr. Kilday is Secretary, Executive Vice President and Chief Financial Officer of the Bank. From 1997 to March 2002, he was the Executive Vice President of Union Planters Bank and served as Senior Commercial Lender.
Thomas D. Rush, Jr. (41)	2006	Mr. Rush is the Executive Vice President of Lending of the Bank. From April 2003 to July 2006, he was Senior Vice President of Lending for the Bank. From July 2002 until March 2003 he served as an investment representative for Edward Jones Investments. From October 1989 until July 2002, he was employed at Jefferson Federal Savings & Loan, including eight years of service as their Chief Financial Officer.
M. Edward Stiner, Jr. (52)	2003	Mr. Stiner is the Regional President of the Bank's Jefferson County operation. From 1994 to February 2002, he served as Area Executive for BB&T in Jefferson County.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides certain summary information concerning the annual and long-term compensation paid or accrued by the Bank to or on behalf of the Bank's Chief Executive Officer and the other most highly compensated executive officers of the Bank who earned over \$100,000 in total compensation for 2006. No other executive officer received total compensation in excess of \$100,000 for services rendered to the Bank during 2006.

Name and Principal Position	Year	Salary ⁽¹⁾ (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Comp- ensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Comp- ensation ⁽²⁾ (\$)	Total (\$)
Samuel F. Grigsby, Jr. Chairman and Chief Executive Officer	2006	\$133,173	-	-	-	-	-	-	\$133,173
Charles A. Hughes President	2006	\$116,930	-	-	-	-	-	-	\$116,930

⁽¹⁾ Includes commissions, available to all officers, paid to the Named Executive Officers for business brought to the Bank and director fees, available to all directors, paid to the Named Executive Officers for meetings attended.

⁽²⁾ We have omitted information on "perks" and other personal benefits with an aggregate value below the minimum amount required for disclosure under the Securities and Exchange Commission regulations.

Employment and Change in Control Agreements

Samuel F. Grigsby, Jr. Effective April 23, 2003, the Bank entered into a five-year employment agreement with Samuel F. Grigsby, Jr. regarding Mr. Grigsby's employment as our Chairman and Chief Executive Officer. Under the terms of the agreement, Mr. Grigsby receives a salary of \$120,000 per year, plus benefits and annual bonus compensation as determined by the Board of Directors. Mr. Grigsby is also entitled to be issued options under our 2002 Stock Option Plan. The amount of any stock options issued under our 2002 Stock Option Plan to Mr. Grigsby will be determined by the Board of Directors on an annual basis.

Mr. Grigsby's agreement automatically renews for an additional year at the end of its initial term and will continue to renew for an additional year at the end of each renewal term. The agreement also provides various other benefits and subjects Mr. Grigsby to certain non-compete restrictions. Additionally, under Mr. Grigsby's agreement, we are obligated to pay Mr. Grigsby upon the following terminating events:

Termination Event	Payment Obligation
Mr. Grigsby becomes permanently disabled.	Base salary for a minimum of four months.
The Bank terminates Mr. Grigsby's employment without cause, as defined.	Two times base salary.
Mr. Grigsby terminates his employment after a change of control, as defined.	Two times base salary.

Charles A. Hughes. Effective April 23, 2003, the Bank entered into a five-year employment agreement with Charles A. Hughes regarding Mr. Hughes' employment as our President. Under the terms of the agreement, Mr. Hughes receives a salary of \$100,000 per year, plus benefits and annual bonus compensation as determined by the Board of Directors. Mr. Hughes is also entitled to be issued options under our 2002 Stock Option Plan. The amount of any stock options issued under our 2002 Stock Option Plan to Mr. Hughes will be determined by the Board of Directors on an annual basis.

Mr. Hughes' agreement automatically renews for an additional year at the end of its initial term and will continue to renew for an additional year at the end of each renewal term. The agreement also provides various other benefits and subjects Mr. Hughes to non-compete restrictions. Mr. Hughes' agreement contains the same conditions and terms regarding termination events described above for Mr. Grigsby's employment agreement.

Outstanding Equity Awards at 2006 Fiscal Year End Table

The following table sets forth information at December 31, 2006, concerning outstanding awards previously granted to the Named Executive Officers.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Mr. Grigsby, Jr.	17,500	-	\$13.50	12/30/2010
Mr. Hughes	10,000	-	\$10.00	10/23/2007
	15,000	-	\$13.50	12/30/2010

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities and Exchange Act of 1934 ("Section 16") requires the directors and certain officers of the Bank, and persons who beneficially own more than 10% of the Bank's common stock, to file with the Office of the Comptroller of the Currency initial reports of ownership and reports of changes in ownership of common stock and any other equity securities of the Bank. The Bank is required to identify each director, officer, or other beneficial owner of more than 10% of the Bank's common stock who failed to timely file any such report with the OCC. The Bank is not aware of any person that beneficially owns more than 10% of the Bank's common stock. In 2006, none of the Bank's directors or officers failed to file a timely report required by Section 16.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of the Bank's common stock that, as of December 31, 2006, are beneficially owned by (a) each Director and Named Executive Officer of the Bank; (b) all Directors and Executive Officers, as a group; and (c) each person or entity known to us to be the beneficial owner of more than five percent of our outstanding common stock, based on the most recent filings with the Office of the Comptroller of the Currency and the information contained in those filings. Unless otherwise indicated, the address of each person is c/o Community National Bank of the Lakeway Area, 225 West First North Street, Morristown, TN 37814.

Name	Beneficial Ownership ¹	Percent of Class
Directors & Named Executive Officers		
Steven J. Adams	15,014 ²	*
Ronald D. Ailey	10,000 ³	*
Mary Maude Briggs	12,700 ⁴	*
Jerry C. Cranford	70,000 ⁵	3.86%
Uriel Edde, Jr.	34,100 ⁶	1.87%
Samuel F. Grigsby, Jr.	66,500 ⁷	3.63%
Charles A. Hughes	42,090 ⁸	2.29%
Darwin K. Kilday	22,500 ⁹	1.23%
Claude Leroy Royston	39,500 ¹⁰	2.17%
J. Armistead Smith	12,500 ¹¹	*
M. Edward Stiner, Jr.	35,241 ¹²	1.92%
Eric N. Ward	13,000 ¹³	*
Donald K. Watson	52,762 ¹⁴	2.89%
Directors and Executive Officers, as a Group (14 persons)	445,907 ¹⁵	22.84%
Other 5% Shareholders:		
Richard Storm, Jr. ¹⁶	181,119	9.99%
Guilford D. Ware ¹⁷	180,000	9.93%

* Less than 1% of outstanding shares.

¹ Information relating to beneficial ownership of the Bank is based upon "beneficial ownership" concepts set forth in the rules promulgated under the Securities Exchange Act. Some or all of the shares may be subject to margin accounts.

² Includes 7,514 shares held in Mr. Adams' IRA, 2,500 shares held by Mr. Adams' spouse and 2,500 shares subject to exercisable options.

³ Includes 5,000 shares subject to exercisable options.

⁴ Includes 8,700 shares held jointly with Ms. Briggs' spouse and 4,000 shares subject to exercisable options

⁵ Includes 21,000 shares held by Mr. Cranford's spouse and 10,000 shares held in Mr. Cranford's IRA.

⁶ Includes 17,600 shares held jointly with Mr. Edde's spouse and 10,000 shares subject to exercisable options.

⁷ Includes 11,000 shares held in Mr. Grigsby's IRA, 28,000 shares held jointly with Mr. Grigsby's spouse, 10,000 shares held jointly with Mr. Grigsby's brother, and 17,500 shares subject to exercisable options.

⁸ Includes 16,990 shares held in Mr. Hughes' IRA, 100 shares held by Mr. Hughes' spouse and 25,000 shares subject to exercisable options.

⁹ Includes 7,500 shares held in Mr. Kilday's IRA and 15,000 shares subject to exercisable options.

¹⁰ Includes 27,000 shares held jointly with Mr. Royston's spouse and 10,000 shares subject to exercisable options.

¹¹ Includes 2,500 shares subject to exercisable options.

¹² Includes 12,641 shares held in Mr. Stiner's IRA, 100 shares held by Mr. Stiner's children and 20,000 shares subject to exercisable options.

¹³ Includes 4,000 shares held in Mr. Ward's SEP, 4,000 shares held jointly with Mr. Ward's spouse and 5,000 shares subject to exercisable options

¹⁴ Includes 20,000 shares held jointly with Mr. Watson's spouse, 3,472 shares held by Mr. Watson's spouse, 4,384 shares held by Mr. Watson's spouse's IRA and 10,000 shares subject to exercisable options.

¹⁵ Includes 134,500 shares which individuals have the right to acquire within 60 days after December 31, 2006.

¹⁶ The address for Mr. Storm is 206 Piute Way 6732, Loudon, Tennessee 37774. Mr. Storm has indicated that he has sole voting and dispositive power over shares held in the name of Richard Storm, Jr., Richard Storm, Jr. IRA, Richard & Kathy Storm and Loanstar Capital, Inc.

¹⁷ The address for Mr. Ware is 1200 NationsBank Center, Norfolk, Virginia 23510.

RELATED PARTY TRANSACTIONS

Directors, executive officers, principal shareholders of the Bank and their affiliates have been customers of the Bank from time to time in the ordinary course of business, and additional transactions may be expected to take place in the future. None of these loans is currently a nonaccrual, past due, restructured or potential problem loan. All such loans were: (i) made in the ordinary course of business; (ii) made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Bank; and (iii) did not involve more than the normal risk of collectibility or present other unfavorable features to the Bank.

As of December 31, 2006, the aggregate amount of loans and extensions of credit outstanding to these persons was approximately \$1.1 million which represented approximately 7.7% of the total equity capital of the Bank.

None of the loans outstanding at the Bank to directors, executive officers or principal shareholders of the Bank at December 31, 2006 was or has been on past due or non-accrual status, has been restructured, or is considered by the Bank to be a problem loan.

The Bank has employed certain employees who are related to the Bank's Directors and/or Executive Officers. These individuals are compensated in accordance with the Bank's policies that apply to all employees.

AUDIT COMMITTEE MATTERS

Audit Committee Report

The Audit Committee reports as follows with respect to the audit of the Bank's 2006 audited financial statements.

- The committee has reviewed and discussed the Bank's 2006 audited financial statements with the Bank's management;
- The committee has discussed with the independent registered public accounting firm, Pershing Yoakley & Associates, P.C., the matters required to be discussed by SAS 61, which include, among other items, matters related to the conduct of the audit of the Bank's financial statements;
- The committee has received written disclosures and the letter from the independent auditors required by ISB Standard No. 1, which relates to the auditor's independence from the corporation and its related entities, and has discussed with the auditors the auditors' independence from the Bank; and
- Based on review and discussions of the Bank's 2006 audited financial statements with management and discussions with the independent auditors, the Audit Committee recommended to the Board of Directors that the Bank's 2006 audited financial statements be included in the Bank's Annual Report on Form 10-KSB.

March 29, 2007

Jerry C. Cranford, Chairperson
Steven J. Adams
Ronald D. Ailey
Mary Maude Briggs
J. Armistead Smith
Eric N. Ward

Audit Fees

The following table sets forth the fees billed to the Bank for the years ended December 31, 2006 and 2005 by Pershing Yoakley & Associates, P.C.:

		<u>2006</u>	<u>2005</u>
Audit fees ⁽¹⁾	\$	37,850	- 0 -
Audit-related fees ⁽²⁾		2,000	- 0 -
Tax fees ⁽³⁾		7,200	- 0 -
All other fees ⁽⁴⁾		0	- 0 -
Total Fees	\$	<u>47,050</u>	<u>- 0 -</u>

⁽¹⁾ Audit fees represent fees billed by Pershing Yoakley for professional services rendered in connection with the (1) audit of the Bank's annual financial statements, (2) review of the financial statements included in Bank's quarterly filings on Form 10-QSB and annual filings on Form 10-KSB, and (3) review of information included in registration statements.

⁽²⁾ Audit related fees represent fees for professional services rendered for assurance and related services reasonably related to the performance of the audit or review of the Bank's financial statements and not included in "Audit Fees" above. Audit related fees consist of consultation regarding various accounting issues.

⁽³⁾ Tax fees represent the aggregate fees billed in each of the last two fiscal years for professional services rendered by Pershing Yoakley for tax compliance, tax advice and tax planning.

⁽⁴⁾ During 2006 and 2005, Pershing Yoakley did not provide us with or bill us for any other services.

The services provided by Pershing Yoakley are pre-approved by the Audit Committee of the Bank in accordance with the policies and procedures of the Audit Committee. The Audit Committee pre-approves all audit and non-audit services provided by the Bank's independent auditors and may not engage the independent auditors to perform any prohibited non-audit services. The Audit Committee has determined that the rendering of non-audit professional services, as identified above, is compatible with maintaining the independence of the Bank's auditors. For 2006, 100% of the fees incurred were pre-approved.

BYLAW AMENDMENTS

On February 28, 2007, the Board of Directors of Community National Bank of the Lakeway Area approved two amendments to the bylaws of the Bank.

The first amendment changes the date for the annual meeting of shareholders from the third Monday in April to the third Monday in May. The Board believes that additional time is likely to be necessary going forward to comply with the requirements of the SEC and NASDAQ and is in the best interests of all shareholders. Under applicable federal law, the Board of Directors may further delay the meeting for any reason up to 60 days following the third Monday in May.

The second amendment adds a residency requirement for individuals to be eligible to serve on the Board of Directors of the Bank. The Board believes that requiring directors to reside in the service area of the Bank is beneficial to the Bank's competitive strength and provides the Bank with a knowledgeable and highly functioning board of directors. Specifically, the Board determined that its present strength was largely attributable to its practice of having directors who reside within the Bank's market area; that deviation from this practice could endanger the strength and reputation of being considered a local bank thereby risking its ability to compete successfully in its market area; and that the residence qualification

was advisable to protect the Bank's competitive strength and to provide it with a knowledgeable and functioning board of directors. In order to be eligible to serve on the Bank's Board of Directors, an individual must have resided in a county in which the Bank maintains a banking office, or a county contiguous to such a county, for at least three years immediately prior to his or her election.

SHAREHOLDER COMMUNICATIONS

Shareholder Proposals. To be included in the Bank's annual proxy statement, shareholder proposals not relating to the election of directors must be received by the Bank at least 120 days before the one-year anniversary of the mailing date for the prior year's proxy statement, which in our case would require that proposals be submitted prior to December 25, 2007 for next year's annual meeting. The persons named as proxies in the Bank's proxy statement for the meeting will, however, have discretionary authority to vote the proxies they have received as they see fit with respect to any proposals received less than 60 days prior to the meeting date.

Shareholder Communications. Shareholders wishing to communicate with the Board of Directors or with a particular director may do so in writing addressed to the Board, or to the particular director, and sending it to the Secretary of the Bank at the Bank's principal office at P.O. Box 1919, Morristown, Tennessee 37816. The Secretary will promptly forward such communications to the applicable director or to the Chairman of the Board for consideration at the next scheduled meeting.

OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING

The Board of Directors knows of no matters other than those referred to in the accompanying Notice of Annual Meeting of Shareholders which may properly come before the Annual Meeting. However, if any other matter should be properly presented for consideration and voting at the Annual Meeting or any adjournments thereof, it is the intention of the persons named as proxies on the enclosed form of proxy card to vote the shares represented by all valid proxy cards in accordance with their judgment of what is in the best interest of the Bank.

Morristown, Tennessee
April 20, 2007

The Bank's Annual Report to Shareholders, which includes audited financial statements for the Bank, has been mailed to shareholders of the Bank with these proxy materials. The Annual Report to Shareholders does not form any part of the material for the solicitation of proxies.