OFFICE OF THE COMPTROLLER OF THE CURRENCY
Washington, D.C. 20219

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from __________ to __________

Community National Bank of the Lakeway Area

(Exact name of small business issuer as specified in its charter)

United States	6021	27-0031825
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

225 West First North Street, Morristown, Tennessee 37814

(Address of principal executive offices)

(423) 587-2345

(Issuer's telephone number)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] NO [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date 1,889,876 shares of common stock, $1.00 par value per share, issued and outstanding as of November 5, 2007.

Transitional Small Business Disclosure Format (check one): YES [ ] NO [**X**]

September 30, 2007

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FORWARD LOOKING STATEMENTS

This Report contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on many assumptions and estimates and are not guarantees of future performance. Our actual results may differ materially from those projected in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors which are beyond our control. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” and “estimate,” as well as similar expressions, are meant to identify such forward-looking statements. Potential risks and uncertainties include, but are not limited to:

- significant increases in competitive pressure in the banking and financial services industries;
- changes in the interest rate environment that could reduce anticipated or actual margins;
- changes in political conditions or the legislative or regulatory environment;
- general economic conditions, either nationally or regionally and especially in our primary service area, becoming less favorable than expected resulting in, among other things, a deterioration in credit quality;
- changes occurring in business conditions and inflation;
- changes in technology;
- changes in monetary and tax policies;
- the level of allowance for loan loss;
- the rate of delinquencies and amounts of charge-offs;
- the rates of loan growth;
- adverse changes in asset quality and resulting credit risk-related losses and expenses;
- changes in the securities markets; and
- other risks and uncertainties detailed from time to time in our filings with the Office of the Comptroller of the Currency.

PART 1

ITEM 1. FINANCIAL STATEMENTS

The financial statements of Community National Bank of the Lakeway Area are set forth in the following pages.

INDEX TO FINANCIAL STATEMENTS

Community National Bank of the Lakeway Area
Balance Sheets

	September 30, 2007 (Unaudited)	December 31, 2006
	(Dollars in thousands)	
Assets		
Cash and due from banks	$ 1,503	$ 3,758
Federal funds sold	1,849	220
Total cash and cash equivalents	3,352	3,978
Securities:		
Available for sale, at fair value	14,960	17,500
Held to maturity, at amortized cost	5,400	6,101
Total securities	20,360	23,601
Equity investments, at cost	813	1,490
Loans, Net of estimated allowance for loan losses of $696 at September 30, 2007 and $734 at December 31, 2006	76,519	72,236
Premises and equipment, net	2,391	2,403
Accrued interest receivable	538	514
Foreclosed assets	505	0
Other assets	170	126
Total assets	$ 104,648	$ 104,348
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 75,549	$ 75,823
Securities sold under agreements to repurchase	3,585	2,543
Advances from Federal Home Loan Bank	10,000	10,000
Other securitized borrowings	0	1,088
Accrued interest payable	416	518
Other liabilities	50	76
Total liabilities	89,600	90,048
Stockholders' Equity		
Common stock, par value $1, authorized 4,000,000 shares; issued and outstanding 1,847,876 shares (1,812,876 at December 31, 2006)	1,848	1,813
Capital in excess of par value	16,650	16,335
Retained deficit	(3,169)	(3,539)
Accumulated other comprehensive loss	(281)	(309)
Total stockholders' equity	15,048	14,300
Total liabilities and stockholders' equity	$ 104,648	$ 104,348

The accompanying notes are an integral part of these financial statements.

Community National Bank of the Lakeway Area
Income Statement
For the Three and Nine Months Ended September 30, 2007 and 2006

	(Dollars in thousands except per share information)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Loans, including fees	$ 1,452	$ 1,220	$ 4,336	$ 3,291
Securities	239	301	749	981
Federal funds sold and other	50	50	120	162
Total interest income	1,741	1,571	5,205	4,434
Interest Expense:				
Deposits	694	670	2,083	1,979
Advances	104	104	310	310
Other	46	24	124	39
Total interest expense	844	798	2,517	2,328
Net interest income	897	773	2,688	2,106
Provision for loan losses	24	64	89	149
Net interest income after provision for loan losses	873	709	2,599	1,957
Noninterest income:				
Service charges on deposit accounts	60	50	167	113
Commissions on loans originated for others	10	13	32	32
Net gain on sales of equity investments	27	5	27	5
Other	24	25	77	76
Total noninterest income	121	93	303	226
Noninterest expense:				
Salaries and employee benefits	401	340	1,188	1,006
Occupancy	165	145	463	424
Advertising and promotion	55	49	155	147
Office supplies and postage	27	17	87	42
Data processing	58	55	167	148
Legal and other professional	63	54	182	168
Net loss on sales of securities available for sale	0	0	3	0
Other	103	72	287	208
Total noninterest expense	872	732	2,532	2,143
Net Income before income taxes	122	70	370	40
Income taxes	0	0	0	0
Net income	$ 122	$ 70	$ 370	$ 40
Income per common share:				
Basic	$ 0.07	$ 0.05	$ 0.20	$ 0.03
Diluted	$ 0.07	$ 0.05	$ 0.20	$ 0.03

The accompanying notes are an integral part of these financial statements.

Community National Bank of the Lakeway Area
Statements of Comprehensive Income
For the Three and Nine Months Ended September 30, 2007 and 2006

	Three Months Ended September 30,		Nine Months Ended September 30	
	2007	2006	2007	2006
	(Unaudited – in thousands)			
Net Income	$ 122	$ 70	$ 370	$ 40
Other comprehensive income, net of tax:				
Net unrealized holding gains on securities available for sale arising during the period	189	313	25	48
Reclassification adjustment for losses included in net income	0	0	3	0
Deferred income tax benefit related to net unrealized holding gains on securities available for sale, net of valuation allowance	0	0	0	0
Other comprehensive gain, net of tax	189	313	28	48
Comprehensive income	$ 311	$ 383	$ 398	$ 88

The accompanying notes are an integral part of these financial statements.

Community National Bank of the Lakeway Area
Statement of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 2007
(Unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
			(Dollars in Thousands)		
Balances, January 1, 2007	$ 1,813	$ 16,335	$ (3,539)	$ (309)	$ 14,300
Net Income	0	0	370	0	370
Common Stock Options Exercised (35,000 Shares at $10.00 Per Share)	35	315	0	0	350
Other comprehensive gain	0	0	0	28	28
Balances, September 30, 2007	$ 1,848	$ 16,650	$ (3,169)	$ (281)	$ 15,048

The accompanying notes are an integral part of these financial statements.

Community National Bank of the Lakeway Area
Statements of Cash Flows
For the Nine Months Ended September 30, 2007 and 2006
(Unaudited)

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net income	$ 370	$ 40
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	89	149
Depreciation	191	217
Net loss on sales of securities available for sale	3	103
Net gain on sales of equity investments	(27)	(108)
Amortization of premiums (discounts) on securities, net	28	32
Amortization of premiums on purchased loans	51	0
Federal Home Loan Bank stock dividends	0	(14)
Increase in accrued interest receivable	(24)	(79)
Increase in other assets	(44)	(42)
Increase (Decrease) in:		
Accrued interest payable	(102)	67
Other liabilities	(26)	20
Total adjustments	139	345
Net cash provided by operating activities	509	385
Cash Flows from Investing Activities:		
Securities available for sale:		
Sales and calls	620	4,395
Purchases	(175)	(6,977)
Maturities	500	5,000
Principal repayments received	1,598	2,159
Securities held to maturity:		
Purchases	0	(650)
Principal repayments received	696	781
Purchase of equity investments	(31)	(737)
Sales of equity investments	734	343
Net increase in loans	(6,017)	(11,184)
Purchases of premises and equipment	(179)	(142)
Net cash used in investing activities	(2,254)	(7,012)
Cash flows from financing activities:		
Net decrease in deposits	(274)	(5,109)
Net increase in securities sold under agreement to repurchase	1,043	1,209
Proceeds from the exercise of stock options	350	100
Proceeds from issuance of common stock, net	0	8,228
Net cash provided by financing activities	1,119	4,428
Net change in cash and cash equivalents	(626)	(2,199)
Cash and cash equivalents, beginning of period	3,978	5,945
Cash and cash equivalents, end of period	$ 3,352	$ 3,746
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,619	$ 2,261
Income taxes	$ 0	$ 0
Supplementary disclosures of noncash activities:		
Change in unrealized gain/loss on securities available for sale	$ 28	$ 48
Change in deferred income taxes associated with unrealized gain/loss on investment securities available for sale	$ 0	$ 0
Change in net unrealized gain/loss on securities available for sale	$ 28	$ 48
Loans moved to foreclosed assets	$ 505	$ 0
Sale of securitized borrowings	$ 1,089	$ 0

The accompanying notes are an integral part of these financial statements.

Community National Bank of the Lakeway Area

Notes to Financial Statements (Unaudited)

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Community National Bank of the Lakeway Area (the Bank) commenced banking operations on April 9, 2003. The Bank provides a variety of banking services to individuals and businesses primarily in the Tennessee counties of Hamblen and Jefferson through its main office in Morristown, branch office in Jefferson City, Tennessee and loan production office in Dandridge, Tennessee. Its primary deposit products are demand deposits and certificates of deposit, and its primary lending products are commercial business, real estate mortgage, and consumer installment loans.

Reclassifications - Certain items in the 2006 financial statements were reclassified to conform to the 2007 financial statements presentation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation allowance related to deferred tax assets.

Comprehensive Income - Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes net unrealized gains and losses on securities available for sale, net of any related tax effects, which is also recognized as a separate component of stockholders' equity.

Cash and Cash Equivalents - For purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold.

Cash and Due From Banks - Cash and due from banks includes balances on deposit with one correspondent commercial bank located in the southeastern United States. The Bank also maintains cash deposits with the Federal Home Loan Bank (FHLB) of Cincinnati and the Federal Reserve Bank of Atlanta.

Federal Funds Sold - Federal funds sold consists of an unsecured loan to a correspondent commercial bank located in the southeastern United States. This loan, plus interest, was repaid on the next business day.

Securities - In accordance with Financial Accounting Standards Board (FASB) Statement No. 115, "*Accounting for Certain Investments in Debt and Equity Securities,*" the Bank has segregated its securities into the following categories:

(a) **Held to Maturity** - These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income using the level yield method. In placing securities in this category, management has expressed a positive intent and ability to hold such securities until they mature.

(b) **Available for Sale** - These securities are carried at fair value based on quoted market prices. Securities placed in the available for sale category may be sold in response to changes in interest rates, liquidity needs, and for other purposes. Any unrealized gain or loss is reported in the statements of comprehensive income (loss), net of any deferred income tax effect. Realized gains and losses on the sales of securities available for sale are based on the net proceeds and amortized cost of the securities sold, using the specific identification method.

Equity Investments - The Bank maintains certain investments with regulatory and other entities in which it has an ongoing business relationship. At September 30, 2007 and 2006, approximately $25,000 represents the cash reserve balance required to be on hand by the Federal Reserve Bank of Atlanta. The Bank's equity investments in the FHLB of Cincinnati, the Federal Reserve Bank of Atlanta and the Bankers' Bank of Atlanta are carried at cost which approximates fair value based on the stock redemption provisions of each of the entities. The investment in FHLB stock is in part based on the Bank's amount of advances from the FHLB.

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans - The Bank provides real estate, mortgage, commercial, and consumer loans to individuals and businesses primarily in the Hamblen and Jefferson County, Tennessee areas. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the estimated allowance for loan losses, and any deferred fees (if material) or costs on originated loans. Interest income is accrued on the unpaid principal balance.

Recognition of Interest on Loans - Interest on loans is calculated using the simple interest method on the principal outstanding. Accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection.

Securities Sold Under Agreements to Repurchase - Repurchase agreements are treated as financing transactions and are carried at the amounts at which the securities will be subsequently reacquired, as specified in the respective agreements.

Estimated Allowance for Loan Losses - The estimated allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the estimated allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Estimated allowances for impaired loans are generally determined based on collateral values or the present value of estimated future cash flows. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related estimated allowance may change materially in the near term. The estimated allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the estimated allowance relating to impaired loans are charged or credited to the provision for loan losses.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The estimated allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention (as defined by the Bank consistent with the definitions given by regulatory agencies). For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

Loan Fees, Discounts, and Premiums - Loan fees on long-term real estate loans, net of initial direct costs related to initiating and closing the loans, will be deferred, if material, and amortized into interest income over the remaining lives of the loans as an adjustment of yield using the interest method. Any discounts and premiums originated in conjunction with the purchase of loans is accreted or amortized into income, principally by the level yield method, over the remaining lives of the loans purchased.

Premises and Equipment - Land is stated at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and Improvements	30-40
Furniture, Fixtures, and Equipment	3-15

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising and Promotion - Advertising and promotion costs are expensed as incurred.

Foreclosed Assets - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets. There was no such valuation allowance at September 30, 2007 and December 31, 2006.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the book and tax basis of the estimated allowance for loan losses, accumulated depreciation, net operating loss carryforwards, organizational start-up costs and the conversion from the accrual basis of accounting for financial reporting purposes to the cash basis of accounting for tax reporting. The deferred tax assets and liabilities, which are recorded net of an estimated valuation allowance, represent the future tax return consequences of those differences which will either be taxable or deductible when the assets and liabilities are recovered or settled. The Bank has estimated a 100% valuation allowance at this time to offset the net deferred tax asset resulting from the above timing differences. See Note 10 for additional information.

Stock Options - The Bank has issued stock options to certain organizers, founders, and employees, which are described more fully in Note 7. On January 1, 2006, the Bank adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payments* (SFAS No. 123R). This statement supersedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*,"(APB 25), which the Bank had followed until the adoption of SFAS No. 123R. The revised statement addresses the accounting for share-based payment transactions with employees and other third parties, eliminates the ability to account for share-based compensation transactions using APB 25 and requires that the compensation costs relating to such transactions be recognized in the statement of operations.

Income Per Common Share - Basic income per common share represents earnings attributable to stockholders divided by the weighted average number of common shares outstanding during the period. The Bank utilizes the treasury stock method for determining the effect of dilutive stock options.

Income per common share is based on the following for the nine months ended September 30, 2007 and 2006 respectively:

	2007	2006
Weighted Average Number of Shares Outstanding Used for Basic Calculation	1,827,678	1,147,198
Weighted Average Number of Shares Outstanding Used for Diluted Calculation	1,847,387	1,162,410

Recent Accounting Pronouncements - The Bank adopted Statement of Financial Accounting Standards No. 154, "*Accounting Changes and Error Corrections*" (SFAS No. 154), as of January 1, 2006. SFAS No. 154 requires retrospective application of voluntary changes in accounting principles. A change in accounting principle mandated by new accounting pronouncements should follow the transition method specified by the new guidance. However, if transition guidance is not otherwise specified, retrospective application will be required. SFAS No. 154 does not alter the accounting requirement for changes in estimates (prospective) and error corrections (restatement). The adoption of SFAS No. 154 did not have a material affect on the Bank's financial statements.

In March, 2006, the FASB issued Statement No. 156, "Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140" (SFAS No. 156). The Statement requires that all servicing assets and liabilities be initially measured at fair value and allows for two alternatives in the subsequent accounting for servicing assets and liabilities: the amortization method and the fair value method. The amortization method requires that the servicing assets and liabilities be amortized over the remaining estimated lives of the serviced assets with impairment testing to be performed periodically. The fair value method requires the servicing assets and liabilities to be measured at fair value each period with an offset to income. SFAS No. 156 is effective for fiscal years beginning after September 15, 2006. The adoption of SFAS No. 156 did not have a material impact on the Bank's financial statements.

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2006, FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" (FIN48) was issued. FIN 48 provides guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on the classification and disclosure of uncertain tax positions in the financial statements. Adoption of FIN 48 requires a cumulative effect adjustment to the opening balance sheet of retained earnings for any difference between the net amounts of assets and liabilities previously recognized and those determined under the new guidance for all open tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material impact on the Bank's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" (SFAS No. 157), which establishes a hierarchy to be used in performing measurements of fair value. SFAS No. 157 emphasizes that fair value should be determined from the perspective of a market participant while also indicating that valuation methodologies should first reference available market data before using internally developed assumptions. Additionally, SFAS No. 157 provides expanded disclosure requirements about fair value measurement. SFAS No. 157 is effective prospectively for fiscal years beginning after November 15, 2007, with early adoption permitted for fiscal years in which financial statements have not been issued. The adoption of SFAS No. 157 is not expected to have a material impact on the Bank's financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 (SAB No. 108). SAB No. 108 requires that companies assess the impact on both the balance sheet and income statement when quantifying and evaluating the materiality of a misstatement. Under SAB No. 108, adjustment of financial statements is required when either approach results in quantifying a misstatement that is material, after considering all relevant quantitative and qualitative factors. Upon adoption, prior year errors, which had previously been considered immaterial but are considered material based on the guidance in SAB No. 108, should be recognized by either restating prior year financial statements or recording a one-time transitional cumulative effect adjustment to retained earnings. SAB No. 108 is effective for annual periods ending after November 15, 2006. SAB 108 did not have a material impact on the Bank's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. SFAS No. 159 is effective prospectively for fiscal years beginning after November 15, 2007, with early adoption permitted for fiscal years in which financial statements have not been issued. The Bank did not early adopt SFAS No. 159. Management is still considering the adoption of SFAS No. 159 for the 2008 year.

NOTE 2. INCOME PER COMMON SHARE

Basic income per share represents income attributable to shareholders divided by the weighted average number of common shares outstanding during the period. Potential shares that may be issued by the Bank relate solely to outstanding stock options, and are determined using the treasury stock method.

Income per share has been computed based on the following (unaudited):

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Average number of shares outstanding	1,843,430	1,421,572	1,827,678	1,147,198
Effect of dilutive options (see below)	11,481	15,212	19,709	15,212
Average number of shares outstanding used to calculate income (loss) per share	1,854,911	1,436,784	1,847,387	1,162,410

NOTE 2. INCOME PER COMMON SHARE (Continued)

For the three and nine months ended September 30, 2007, outstanding stock options totaling 123,250 with an exercise price of $13.50 were not included in the computation of diluted earnings per share because such shares would have had an antidilutive effect on earnings per share.

NOTE 3. SECURITIES

The amortized cost and estimated fair value of securities classified as available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(Dollars in thousands)		
As of September 30, 2007:				
Debt Securities:				
Obligations of U.S. Government Corporations and Agencies	$ 4,990	$ 4	$ (12)	$ 4,982
Other Corporate Securities	175	0	0	175
Mortgage-Backed and Related Securities	10,076	0	(273)	9,803
Total Securities Available for Sale	$ 15,241	$ 4	$ (285)	$ 14,960
As of December 31, 2006:				
Debt Securities:				
Obligations of U.S. Government Corportations and Agencies	$ 5,487	$ 3	$ (43)	$ 5,447
Mortgage-Backed and Related Securities	12,322	12	(281)	12,053
Total Securities Available for Sale	$ 17,809	$ 15	$ (324)	$ 17,500

The amortized cost and estimated fair value of securities classified as held to maturity are as follows:

	Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
As of September 30, 2007:		(Dollars in thousands)		
Debt Securities:				
Mortgage-Backed and Related Securities	$ 5,400	$ 0	$ (133)	$ 5,267
Total Securities Held to Maturity	$ 5,400	$ 0	$ (133)	$ 5,267
As of December 31, 2006:				
Debt Securities:				
Mortgage-Backed and Related Securities	$ 6,101	$ 0	$ (116)	$ 5,985
Total Securities Held to Maturity	$ 6,101	$ 0	$ (116)	$ 5,985

NOTE 3. SECURITIES (Continued)

The amortized cost and estimated fair value of debt securities as of September 30, 2007, by contractual maturity, are as follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Due in One Year or Less	$ 1,175	$ 1,171	$ 0	$ 0
Due After One Year Through Five Years	2,990	2,983	0	0
Due After Five Years Through Ten Years	1,000	1,003	0	0
Due After Ten Years	0	0	0	0
	5,165	5,157	0	0
Mortgage-Backed and Related Securities	10,076	9,803	5,400	5,267
Total Investments	$ 15,241	$ 14,960	$ 5,400	$ 5,267

The expected maturities of mortgage-backed and related securities will differ from contractual maturities because borrowers may have the right to call or repay obligations without call or prepayment penalties. Therefore, the mortgage-backed and related securities are presented separately in the above table.

During the quarter ended September 30, 2007, the Bank purchased $175 thousand of CFSI (Bankers Bank) Trust Preferred Securities. Additionally, the Bank did not transfer any securities between categories during the quarter ended September 30, 2007.

Debt securities with a total estimated fair value (which approximates book value) of approximately $14.6 million as of September 30, 2007 were pledged primarily to secure deposits of public funds, repurchase agreements, federal funds line of credit and borrowings advanced from the Federal Home Loan Bank.

NOTE 4. ALLOWANCE FOR LOAN LOSSES

Activity in the estimated allowance for loan losses for the nine-month periods ended September 30, 2007 and 2006 is as follows:

	September 30, 2007	September 30, 2006
	(Dollars in thousands)	
Balance at Beginning of Year	$ 734	$ 547
Charge-offs	(134)	(15)
Recoveries	7	1
Provision-Charged to Expense	89	149
Balance at End of Period	$ 696	$ 682

NOTE 4. ALLOWANCE FOR LOAN LOSSES (Continued)

The following is a summary of information pertaining to impaired and non-accrual loans:

	At September 30, 2007		At December 31, 2006	
	(Dollars in thousands)			
Nonaccrual loans	$	24	$	296
Restructured loans		0		-
Total nonperforming loans		24		296
Foreclosed assets		505		-
Total nonperforming assets	$	529	$	296
Accruing loans past due 90 days or more	$	0	$	17
Allowance for loan losses		696		734
Nonperforming loans to period end loans		0.03%		0.41%
Allowance for loan losses to period end loans		0.90%		1.01%
Allowance for loan losses to nonperforming loans		2,900%		248%
Nonperforming assets to total assets		0.51%		0.01%

NOTE 5. LOANS

A summary of loans as of September 30, 2007 and December 31, 2006 is as follows:

	At September 30, 2007			At December 31, 2006		
	Amount		% of Total Loans	Amount		% of Total Loans
	(Dollars in thousands)					
Loans secured by real estate:						
Commercial	$	17,979	23.3%	$	18,917	26.0%
Construction		16,620	21.6%		11,170	15.3%
Residential and other		25,691	33.3%		24,787	34.0%
Commercial and industrial		8,554	11.1%		8,702	12.0%
Consumer and other		5,138	6.7%		5,377	7.4%
Government agency guaranteed		3,089	4.0%		3,881	5.3%
Subtotal		77,071	100.0%		72,834	100.0%
Plus: Unamortized premiums on purchased loans		144			194	
Less: Allowance for loan loss		(696)			(734)	
Unearned loan fees		0			(58)	
Loans, Net	$	76,519		$	72,236	

NOTE 6. DEPOSITS

A summary of deposits as of September 30, 2007 and December 31, 2006 is as follows:

	September 30, 2007	December 31, 2006
	(Dollars in thousands)	
Noninterest-Bearing Demand Accounts	$ 9,780	$ 9,873
Interest-Bearing Accounts		
Checking Accounts	4,185	4,009
Money Market Accounts	15,479	20,984
Savings Accounts	6,197	3,079
Time Deposits:		
Less Than $100,000	20,610	20,869
$100,000 or More	19,298	17,009
Total Interest-Bearing Deposits	65,769	65,950
Total Deposits	$ 75,549	$ 75,823

Included in the time deposits $100,000 or more total above is $2.0 million and $1.5 million at September 30, 2007 and December 31, 2006, respectively, of brokered certificates of deposit pools.

NOTE 7. STOCK OPTION PLANS

Effective with the organization of the Bank, the Bank's board of directors approved an incentive stock option plan, which was ratified by the Bank's shareholders on April 4, 2003. The plan reserved 141,000 shares of the Bank's common stock for issuance pursuant to the options to be granted. As of September 30, 2007, 123,250 options have been granted and have vested under this plan. The Bank intends to issue new shares when options are exercised under this plan.

In addition, the Bank's board of directors approved the issuance of stock options by individual agreements to certain members of the board of directors, organizers and founders of the Bank. The board of directors granted options for a total of 209,000 shares under the individual agreements. As of September 30, 2007, all of these options have vested. The Bank intends to issue new shares when options are exercised under this plan.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. No options were awarded during the nine month periods ended September 30, 2007 and 2006.

A summary of the status of the Bank's stock option plans is presented below:

	Nine Months Ended September 30, 2007		Nine Months Ended September 30, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Period	290,583	$11.48	300,583	$11.44
Granted	0		0	
Exercised	35,000	$10.00	10,000	$10.00
Surrendered	0		0	
Forfeited	0		0	
Outstanding at End of Period	255,583	$11.69	290,583	$11.48
Options Exercisable at Period-End	255,583		290,583	
Weighted-Average Fair Value of Options Granted During the Period	N/A		N/A	

NOTE 7. STOCK OPTION PLANS (Continued)

Information pertaining to options outstanding at September 30, 2007 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$10.00-$13.50	255,583	1.60 years	$11.69	255,583	$11.69

NOTE 8. FEDERAL HOME LOAN BANK ADVANCES

The Bank has obtained two advances from the Federal Home Loan Bank of Cincinnati (FHLB). These advances are $5 million each and mature in 2015. The average interest rate on these advances is 4.15%. The FHLB has a one time option to convert the advances to variable rates. If the FHLB exercises its option and increases the interest rates on these advances, the Bank has the option to pay the advances in full without penalty. Pursuant to a collateral agreement with the FHLB, advances are secured by the Bank's FHLB stock, qualifying first mortgage loans and certain investment securities.

NOTE 9. EMPLOYMENT AGREEMENTS

The Bank has entered into employment agreements with five of its officers for a minimum annual salary and other related benefits. The agreements also contain certain non-compete restrictions.

NOTE 10. INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the book and tax basis of the allowance for loan losses, accumulated depreciation, net operating loss carryforwards, organizational start-up-costs and the conversion from the accrual basis of accounting for financial reporting purposes to the cash basis of accounting for tax reporting. The net deferred tax assets and liabilities, which are recorded net of a valuation allowance, represent the future tax return consequences of those differences which will either be taxable or deductible when the assets and liabilities are recovered or settled. The Bank has recorded a 100% valuation allowance at this time to offset the net deferred tax asset resulting from the above timing differences. The 100% valuation allowance will be provided until it is more likely than not that any net deferred tax assets will be realized. Realization of the potential net deferred tax asset is dependent upon whether there will be sufficient taxable income available within the carryforward period under the federal and state tax laws.

The Bank has state and federal net operating loss carryforwards totaling approximately $3.4 million each at September 30, 2007. These carryforwards are available to offset tax liabilities on future income through 2025 for federal taxes and 2020 for state.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless language in this Item 2 indicates otherwise or the context otherwise requires, the terms "we," "our," "us," or "our bank" refers to Community National Bank of the Lakeway Area.

This item contains "forward-looking statements" relating to, without limitation, future economic performance, plans and objectives of management for future operations, and projections of revenue and other financial items that are based upon the beliefs of our management, as well as assumptions made based upon information currently available to our management. The words "expect," "intend," "believe," and "estimate," as well as similar expressions, are intended to identify forward-looking statements. Our actual results may differ materially from the results discussed in the forward-looking statements, and our operating performance each quarter is subject to various risks and uncertainties that are discussed in detail in our filings with the Office of the Comptroller of the Currency ("OCC"), including the "Risk Factors" section in our Annual Report on Form 10-KSB for the year ended December 31, 2006.

You should read the following in connection with the financial statements of the Bank and the related notes contained in this report.

Community National Bank reported a quarterly profit of $122 thousand or $0.07 per share for the quarter ended September 30, 2007. The return on average assets for the quarter was 0.46% compared to 0.28% for the quarter ended September 30, 2006. Loan demand has remained relatively strong during the quarter. The Bank continues to feel pressure on its net interest margin, however, the net interest margin has increased 30 basis points from the third quarter of 2006.

Gross loans grew 5.8% from $73.0 million at December 31, 2006 to $77.2 million at September 30, 2007. The growth was primarily in real estate secured construction and development loans. Originations have continued to be relatively strong during the first nine months of 2007, but the Bank did experience some large payoffs and applied sale accounting treatment for loans previously classified as securitized borrowings which has kept the annual loan growth rate lower than expected.

The net interest margin of the Bank increased from 3.27% at September 30, 2006 to 3.57% at September 30, 2007. This represents a 9.2% improvement from September 30, 2006 to September 30, 2007. The majority of the Bank's adjustable rate mortgage loans made during the first three years of operation will continue to reprice over the next several quarters. This should help improve interest income and the net interest margin. During the quarter ended September 30, 2007 the Bank had a large government guaranteed loan prepay which resulted in the Bank amortizing approximately $30 thousand in purchased premiums. This yield adjustment contributed to the decrease in net interest margin for the quarter.

In an effort to expand operations, the Bank opened a loan production office in Dandridge, Tennessee on April 4, 2007. According to State of Tennessee statistics, Dandridge and the surrounding area is one of the fastest growing areas in the state. While the new loan production office offers all types of loans, it is expected that one to four family residential real estate loans will be the primary product. While management looks for profitability from this office in the future, the fixed expenses and startup expenses have had a negative impact on earnings during the third quarter.

The Bank received approval from the Office of the Comptroller of the Currency to locate a full service branch in west Morristown, Tennessee. The plan is to open this branch in a temporary facility during the fourth quarter of 2007. The Bank intends to eventually replace this temporary facility with a more permanent structure. Management believes this location will add convenience for customers, and potential customers, increasing the deposit base of the Bank.

The future plans of the Bank are to locate additional branches within our market area. During 2008 the Bank intends to open a minimum of one additional facility in the market area and possibly expand into other surrounding counties.

Comparison of Financial Condition at September 30, 2007 and December 31, 2006

Community National Bank of the Lakeway Area's total assets at September 30, 2007 were $104.6 million, a slight increase of $0.3 million from the $104.3 million recorded at December 31, 2006. Total assets have remained basically level due primarily to unexpected payoffs in the loan portfolio in excess of $3 million. The application of sale accounting treatment of $1.1 million in loans previously held as securitized borrowings which resulted in lowering the carrying amount of net loans on the Banks' balance sheet, also contributed to the decline in total assets.

Net loans for the period increased to $76.5 million as compared to $72.2 million at December 31, 2006. This represents an increase during the nine-month period of approximately 6.0%, or 7.9% annualized. The net loan growth year-to-date has been less than management's projection for the period due primarily to early payouts and the sale of loans previously held as securitized borrowings. Loan demand continues to be reasonably strong, however, the Bank continues to see some softening in the demand for 1-4 family mortgages. Net loans to deposits at September 30, 2007 were 101.3% compared to 95.3% at December 31, 2006.

The estimated allowance for loan losses at September 30, 2007 was $696 thousand or 0.90% of gross loans. This compares to $734 thousand or 1.01% of gross loans at December 31, 2006. The change consisted of a provision to the reserve account of $89 thousand and net charged-off loans of $127 thousand. Management analyzes the loan portfolio to determine the adequacy of the allowance for loan losses. Provisions are made to the allowance to maintain a level adequate to absorb anticipated loan losses.

There were $529 thousand of nonperforming assets at June 30, 2007. This was comprised of $24 thousand of nonaccrual loans and $505 thousand of foreclosed assets. At December 31, 2006, the Bank had $296 thousand in nonaccrual loans. While nonaccrual loans have declined $272 thousand during the first nine months of 2007, foreclosed assets have increased $505 thousand during the same time period due to the foreclosure of two commercial properties and a 1-4 family property. The three properties are currently being marketed and should be disposed of in the near future.

Total investments at September 30, 2007 were $20.4 million as compared to $23.6 million at December 31, 2006. The decline is attributable primarily to the principal repayments on the mortgage backed portfolios totaling approximately $2.3 million and maturities and sales totaling $1.1 million. The Bank also purchased one corporate security during the quarter for $175 thousand. The portfolio is classified as either available for sale or held-to-maturity. The held-to-maturity portfolio is reported at amortized cost and consists of $5.4 million of mortgage-backed securities. The $15.0 million in the available for sale portfolio is reported at fair value and consist of approximately 33% U.S. Government Agencies, 66% Mortgage-Backed Securities, and 1% Community Financial Services, Inc. (CFSI) Corporate Securities. Investment securities are an important tool used to manage the interest rate sensitivity and liquidity of the Bank.

Accrued interest receivable, prepaid expenses and other assets increased during the period from $640 thousand at December 31, 2006 to $1.2 million at September 30, 2007. The majority of the increase was attributable to the Bank foreclosing on two commercial properties and one residential property with combined carrying values of $505 thousand. Prepaid expenses also increased from $119 thousand at December 31, 2006 to $147 thousand at September 30, 2007 as prepaid maintenance contracts and other annual fees were renewed.

Fixed assets, net, have declined slightly during the nine months ended September 30, 2007. The Bank had depreciation expense for the period totaling $191 thousand, new equipment purchases and leasehold improvements of $179 thousand, for a net decline of $12 thousand.

Deposits at September 30, 2007 have declined $0.3 million to $75.5 million. This compares to $75.8 million at December 31, 2006. Noninterest bearing demand deposits declined during the nine month period ended September 30, 2007 $93 thousand or 0.9%, NOW accounts increased $176 thousand or 4.4%, savings increased $3.1 million or 101.3%, and time deposits increased $2.0 million or 5.4%. On the decline were money market accounts which decreased $5.5 million or 26.2%. A portion of the decline in money market accounts was transferred to other Bank products such as the new high yielding super saver accounts and repurchase agreements, while the remainder was primarily lost due to the Bank's current pricing strategies.

Stockholders' equity increased $748 thousand during the first nine months of 2007. The increase represents a year-to-date net profit of $370 thousand, and other comprehensive income of $28 thousand and a $350 thousand increase in equity from the exercise of 35 thousand stock options held by the founders and organizers of the Bank.

Discussion of Results of Operations for the Three and Nine Months Ended September 30, 2007 and Comparative Results for the Three and Nine Months Ended September 30, 2006.

The Bank continued its profitable trend posting a $122 thousand profit for the quarter ended September 30, 2007 as compared to $70 thousand for the same period last year. For the nine-month period ended September 30, 2007 the Bank has net income of $370 thousand compared to $40 thousand for the same period in 2006. This is the Bank's sixth consecutive profitable quarter and is primarily attributable to the steady growth in net interest income. The increased net interest income has been a result of an increased loan-to-deposit ratio, the raising of additional capital in August of 2006 and stock options exercised during 2007.

Interest income for the three months ended September 30, 2007 increased $170 thousand to $1.7 million representing a 10.8% increase as compared to the three month period ended September 30, 2006. For the nine-month period ended September 30, 2007, interest income was $5.2 million compared to $4.4 million for the nine-month period ended September 30, 2006. This represents a 17.4% increase from September 30, 2006 to September 30, 2007. The increase, totaling $771 thousand, is attributable to an increase in both volume and rates on loans during the period. Interest income on investments declined $62 thousand from September 30, 2006 to September 30, 2007. Again, this is a result of funding the growth in the loan portfolio by using the liquidity provided from the investment portfolio and overnight investments.

Interest expense for the three month period ended September 30, 2007 was $844 thousand as compared to $798 thousand for the same period last year. The $46 thousand increase is totally rate driven as the average balance of deposits declined from $76.3 million at September 30, 2006 to $76.0 million at September 30, 2007.

The following chart summarizes changes in interest income and expense for the three-month periods ended September 30, 2007 and 2006:

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	$ Change	% Change
	(Dollars in thousands)			
Interest income:				
Loans	$ 1,452	$ 1,220	$ 232	19.0%
Securities	239	301	(62)	(20.6)%
Federal funds sold and other	50	50	0	0.0%
Total interest income	1,741	1,571	170	10.8%
Interest expense:				
Deposits	694	670	24	3.6%
Borrowings	150	128	22	17.2%
Total interest expense	844	798	46	5.8%
Net interest income	$ 897	$ 773	$ 124	16.0%

The following chart summarizes changes in interest income and expense for the nine-month periods ended September 30, 2007 and 2006:

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006	$ Change	% Change
	(Dollars in thousands)			
Interest income:				
Loans	$ 4,336	$ 3,291	$ 1,045	31.8%
Securities	749	981	(232)	(23.6)%
Federal funds sold and other	120	162	(42)	(25.9)%
Total interest income	5,205	4,434	771	17.4%
Interest expense:				
Deposits	2,083	1,979	104	5.3%
Borrowings	434	349	85	24.4%
Total interest expense	2,517	2,328	189	8.1%
Net interest income	$ 2,688	$ 2,106	$ 582	27.6%

Net interest income before loan loss provision increased $124 thousand for the three months ended September 30, 2007 compared to the same period in 2006. For the nine-month period ended September 30, 2007, net interest income before loan loss provision increased $582 thousand compared to the same period in 2006. Loans repricing at higher rates has improved the yield on earning assets; however, the Bank has also seen the cost of funds increase as short term deposit rates in the local market have increased and longer term certificates of deposits have repriced upward. The interest spread and net interest margin for the quarter ended September 30, 2007 were 3.19% and 3.57% respectively, compared to 3.05% and 3.27% for the same period in 2006. The average yield on earning assets for the quarter ended September 30, 2007 increased 28 basis points to 6.93% and the average volume of earning assets increased $5.9 million, to $100.5 million for the three months ended September 30, 2007 compared to the same period in 2006. The average rate paid on interest-bearing liabilities increased 14 basis points to 3.74%, while the average volume of interest-bearing liabilities increased $1.4 million, to $90.1 million for the three months ended September 30, 2007 compared to the same period in 2006.

The interest spread and net interest margin for the nine-months ended September 30, 2007 were 3.21% and 3.61% respectively, compared to 2.88% and 3.00% for the same period in 2006. The average yield on earning assets for the nine-months ended September 30, 2007 increased 68 basis points to 6.99% and the average volume of earning assets increased $5.7 million, to $99.4 million for the nine-months ended September 30, 2007 compared to the same period in 2006. The average rate paid on interest-bearing liabilities increased 34 basis points to 3.77%, while the average volume of interest-bearing liabilities declined $1.6 million, to $89.0 million for the nine-months ended September 30, 2007 compared to the same period in 2006.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2007		2006		2007		2006	
	Average Balance	Yield/ Cost	Average Balance	Yield/ Cost	Average Balance	Yield/ Cost	Average Balance	Yield/ Cost
	(Dollars in thousands)				(Dollars in thousands)			
Loans, net	$75,590	7.68%	$64,018	7.62%	$74,237	7.79%	$59,384	7.39%
Securities	20,422	4.68%	26,750	4.50%	21,520	4.64%	29,813	4.39%
Federal funds sold and other	4,442	4.50%	3,764	5.31%	3,595	4.45%	4,502	4.80%
Deposits	75,981	3.65%	76,312	3.51%	75,282	3.69%	79,105	3.34%
Borrowings	14,166	4.26%	12,421	4.12%	13,699	4.22%	11,460	4.06%

The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, change attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Three Months Ended September 30, 2007 Compared to 2006			Nine Months Ended September 30, 2007 Compared to 2006		
	Increase (Decrease) Due To			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(Dollars in thousands)					
Interest Income:						
Loans	$ 222	$ 10	$ 232	$ 860	$ 185	$ 1,045
Securities	(75)	13	(62)	(293)	61	(232)
Other	0	0	0	(31)	(11)	(42)
Total interest-earning assets	147	23	170	536	235	771
Interest Expense:						
Deposits	(3)	27	24	(87)	191	104
Borrowings	18	4	22	70	15	85
Total interest bearing liabilities	15	31	46	(17)	206	189
Net change in interest income	$ 132	$ (8)	$ 124	$ 553	$ 29	$ 582

For the three months ended September 30, 2007 the Bank recorded $24 thousand to the provision for loan losses as compared to $64 thousand for the same period in 2006. Management reviews the loan portfolio each month to determine the appropriate reserve level. Provisions are made to maintain a level adequate to absorb anticipated loan losses. Currently, the allowance for loan losses is 0.90% of gross loans.

Noninterest income for the three months ended September 30, 2007 was $121 thousand compared to $93 thousand for the same period in 2006. For the nine-months ended September 30, 2007 noninterest income was $303 thousand compared to $226 thousand for the first nine months of 2006. The increase in noninterest income was due to increases in service charge income on deposit accounts and the recording of a $27 thousand gain on the sale of equity investments.

Noninterest expense for the three months ended September 30, 2007 was $872 thousand compared to $732 thousand for the same period in 2006. Year-to-date noninterest expense for 2007 is $2.5 million as compared to $2.1 million for the first nine-months of 2006. The increase is primarily attributable to the growth of the Bank with the addition of the new loan production office in Dandridge, Tennessee and resulting increase in occupancy and benefit costs. The Bank also experienced an increase in noninterest expense associated with becoming a publicly listed company in August of 2006. The outside accounting and legal fees, increased expenses to be a NASDAQ listed company, and the increase in FDIC insurance premiums have also played a significant role in increasing noninterest expenses. As the Bank continues its planned growth of strategically located branch offices, controlling noninterest expense will be a key factor in continued earnings improvement.

Off-Balance Sheet Arrangements

In the normal course of business, to meet the financing needs of its customers, the Bank is a party to financial instruments with off-balance-sheet risks. These financial instruments consist of commitments to extend credit and standby letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are written conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Most letters of credit are extended for one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. A commitment involves, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The Bank's exposure to credit loss in the event of nonperformance by the other party to the instrument is represented by the contractual notional amount of the instrument.

Since certain commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank uses the same credit policies in making commitments to extend credit as it does for on-balance-sheet instruments. Collateral held for commitments to extend credit varies but may include unimproved and improved real estate, certificates of deposit or personal property.

The following table summarizes our off-balance-sheet financial instruments whose contract amounts represent credit risk as of September 30, 2007:

Commitments to extend credit	$ 13,070,432
Stand-by letters of credit	$ 157,119

Capital Requirements

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) establishes a system of "prompt corrective action" to resolve the problems of undercapitalized institutions. Under this system, which became effective in December 1992, the federal banking regulators are required to establish five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) and to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, FDICIA requires the appropriate banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

The following table lists the criteria for a well-capitalized bank as compared to Community National Bank at September 30, 2007:

	Total Risk-Based Capital Ratio	Tier I Risk-Based Capital Ratio	Leverage Ratio
Well-capitalized	10.00% or above	6.00% or above	5.00% or above
Community National Bank	20.85%	19.94%	14.53%

The Bank was a well-capitalized institution under the above criteria as of September 30, 2007.

Liquidity and Interest Rate Sensitivity

Net interest income, our Bank's primary source of earnings, will fluctuate with significant interest rate movements. To lessen the impact of these fluctuations, we attempt to structure the balance sheet so that repricing opportunities exist for both assets and liabilities in roughly equal amounts at approximately the same time intervals. Imbalances in these repricing opportunities at any point in time constitute interest rate sensitivity.

Interest rate sensitivity refers to the responsiveness of interest-bearing assets and liabilities to a change in market interest rates. The rate sensitive position, or "gap," is the difference in the volume of rate sensitive assets and liabilities at a given time interval. The general objective of gap management is to actively manage rate sensitive assets and liabilities in order to reduce the impact of interest rate fluctuations on the net interest margin. We generally attempt to maintain a balance between rate sensitive assets and liabilities as the exposure period is lengthened to minimize our overall interest rate risk.

An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income while a positive gap would tend to adversely affect net interest income.

We regularly evaluate the balance sheet's asset mix in terms of several variables:

- yield;
- credit quality;
- appropriate funding sources; and
- liquidity.

To effectively manage the balance sheet's liability mix, we focus on expanding our deposit base and converting assets to cash as necessary.

As our Bank grows, we will continuously structure its rate sensitivity position in an effort to hedge against rapidly rising or falling interest rates. Our risk management committee meets on a monthly basis to develop a strategy for the upcoming period.

Liquidity represents the ability to provide steady sources of funds for loan commitments and investment activities, as well as to maintain sufficient funds to cover deposit withdrawals and payment of debt and operating obligations. We can obtain these funds by converting assets to cash or by attracting new deposits. Our Bank's ability to maintain and increase deposits serves as its primary source of liquidity. Secondary sources of liquidity for the Bank are Federal Funds Accommodation lines with The Bankers' Bank of Atlanta, Georgia and advances from the Federal Home Loan Bank of Cincinnati, Ohio. At September 30, 2007 Community National Bank of the Lakeway Area had a two-million dollar unsecured line and a four-million dollar secured line with The Bankers' Bank, neither of which had an outstanding balance.

The Bank had ten million dollars in advances payable to the Federal Home Loan Bank at September 30, 2007. The advances payable to the Federal Home Loan Bank were part of a leveraged transaction completed on August 31, 2005. The Bank entered into two five-million dollar advances, one a ten-year advance with a three-year call and the second, a ten-year advance with a five-year call. The average rate paid on the advances is currently 4.15%. The Bank matched the advances against seasoned mortgaged backed securities, loans and Federal Home Loan Bank stock with a yield of approximately 5.28%. The margin on the transaction is approximately 1.13% or between nine and ten thousand dollars per month in additional income for the Bank. This transaction will have the effect of lowering the Bank's net interest margin percentage; however, it will net the Bank additional dollars in income. The margin on this transaction should improve in an increasing rate environment and decline in a declining rate environment.

The Bank had unused lines of credit and loan commitments at September 30, 2007 totaling $13.1 million. We know of no other trends, demands, commitments, events, or uncertainties that should result in or are reasonably likely to result in our Bank's liquidity increasing or decreasing in any material way in the foreseeable future.

ITEM 3. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-QSB, our principal executive officer and principal financial officer have evaluated the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Office of the Comptroller of the Currency's rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Our management, including the CEO and CFO, does not expect that our Disclosure Controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon their controls evaluation, our CEO and CFO have concluded that our Disclosure Controls are effective at a reasonable assurance level.

There have been no changes in our internal controls over financial reporting during our third quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of the date hereof, there are no material pending legal proceedings to which we are a party or of which any of our properties are subject nor are there any proceedings known to us to be contemplated by a governmental authority.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits.

31.1	Certification Pursuant to Rule 13a-14(a) - Chief Executive Officer
31.2	Certification Pursuant to Rule 13a-14(a) - Chief Financial Officer / Chief Accounting Officer
32.1	Certification Pursuant to Section 1350 - Chief Executive Officer
32.2	Certification Pursuant to Section 1350 - Chief Financial Officer / Chief Accounting Officer

SIGNATURES

In accordance with the requirements of the National Banking Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY NATIONAL BANK OF THE
LAKEWAY AREA

BY: ______________________________
Samuel F. Grigsby, Jr.
Chairman, Chief Executive Officer, and Director

BY: ______________________________
Darwin K. Kilday
Chief Financial Officer, Chief Accounting Officer, and Director

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)/15(d)-14(a)

I, Samuel F. Grigsby, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Community National Bank of the Lakeway Area;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: ____________________

____
Samuel F. Grigsby, Jr.
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)/15(d)-14(a)

I, Darwin K. Kilday, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Community National Bank of the Lakeway Area;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: ____________________

____
Darwin K. Kilday
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification Pursuant to 18 U.S.C. Section 1350 - Chairman and Chief Executive Officer
(As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Community National Bank of the Lakeway Area (the “Bank”) on Form 10-QSB for the period ending September 30, 2007, as filed with the Office of the Comptroller of the Currency, I, Samuel F. Grigsby, Jr., Chairman and Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the Bank’s financial condition and results of operations.

Date: _________________, 2007

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

Certification Pursuant to 18 U.S.C. Section 1350 - Chief Financial Officer and Chief Accounting Officer
(As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Community National Bank of the Lakeway Area (the "Bank") on Form 10-QSB for the period ending September 30, 2007 as filed with the Office of the Comptroller of the Currency, I, Darwin Kent Kilday, Chief Financial Officer and Chief Accounting Officer of the Bank, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the Bank's financial condition and results of operations.

Date: _________________, 2007

____
Darwin Kent Kilday
Chief Financial Officer and Chief Accounting Officer