

13e-3SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. N/A)

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

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the Commission Only (as
permitted by Rule 14a-6(e)(2))

COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than Registrant)

Payment of filing fee (Check the appropriate box):

No fee required

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transactions applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement no.:

(3) Filing Party:

(4) Date Filed:



Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Community National Bank of the Lakeway Area (the "Bank") to be held at 10:00 a.m. EDT, on June 21, 2010, Rose Center, 442 West Second North Street, Morristown, Tennessee 37814.

At this important meeting, you will be asked to consider the following proposals:

1. Reclassification of Stock. To amend our Articles of Association to reclassify certain of our shares of existing common stock into Class A Preferred Stock and Class B Preferred Stock for the purpose of discontinuing the registration of our common stock under the National Bank Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This form of reclassification is commonly referred to as a "going private" transaction; more information about the reclassification is discussed below.

2. Electing Directors. To elect four (4) directors to serve as Class I Directors of the Bank until the 2013 Annual Meeting of Shareholders and until their successors have been elected and qualified, and to elect one (1) director to serve as a Class III Director of the Bank until the 2012 Annual Meeting of Shareholders and until his successor has been elected and qualified.

3. 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, 2010.

4. Adjournment. To vote on a proposal to grant our management the authority to adjourn the meeting to another time and date in order to allow the Board of Directors to solicit additional proxies or attendance at the meeting.

5. Other Business. To transact such other business as may properly come before the Annual Meeting or any adjournment of the Annual Meeting.

In connection with the proposal to reclassify our common stock, shares of our existing common stock held by shareholders who own between 200 and 999 shares will be reclassified into shares of Class A Preferred Stock. Shares of our existing common stock held of record by shareholders who own fewer than 200 shares will be reclassified into shares of Class B Preferred Stock. All shares held in street name will continue to be common shares. The reclassification will be made on the basis of one share of Class A Preferred Stock or Class B Preferred Stock for each share of common stock held. The purpose of amending our Articles to reclassify our common stock is to discontinue the reporting requirements associated with our common stock under the National Bank Act and the Exchange Act.

If approved at the Annual Meeting, the transaction will affect you as follows:

If, on record date, you are a shareholder with	Effect
Any shares of common stock held in street name	You will continue to hold the same number of shares of common stock
1,000 or more shares of common stock held in record name	You will continue to hold the same number of shares of common stock
Between 200 and 999 shares of common stock held in record name	You will no longer hold shares of common stock, but will instead hold a number of shares of Class A Preferred Stock equal to the same number of shares of common stock that you held before the reclassification
Less than 200 shares of common stock held in record name	You will no longer hold shares of common stock, but will instead hold a number of shares of Class B Preferred Stock equal to the same number of shares of common stock that you held before the reclassification

The primary effect of this transaction will be to reduce our total number of record holders of common stock to below 300. As a result, we will terminate the registration of our common stock under federal securities laws, suspend our public reporting obligations under the National Bank Act and the Exchange Act, and will no longer be considered a “public” company, although our common stock will continue to be traded on the Pink Sheets and the OTCBB. This transaction is known as a Rule 13e-3 “going private” transaction under the Exchange Act.

Dissenters’ rights are being made available to you under the National Bank Act and Tennessee law if you do not vote in favor of Proposal One, relating to the reclassification of our common stock, and elect to dissent. If you comply with the statutory requirements to perfect your dissenters’ rights, you will be entitled to receive the “fair value” of your shares. A copy of the relevant provisions of the National Bank Act and the Tennessee Business Corporation Act is attached as an exhibit to the enclosed Proxy Statement. You must strictly comply with the above requirements in order to exercise your dissenters’ rights. Please read “- Dissenters’ Rights” beginning on page 11 of the Proxy Statement in its entirety for complete disclosure on your dissenters’ rights. Should a substantial number of shareholders exercise dissenters’ rights, we will not proceed with the transaction.

We are proposing the reclassification of our common stock because our Board of Directors has concluded, after careful consideration, that the direct and indirect costs associated with being a public reporting company under the National Bank Act and the Exchange Act outweigh any of the advantages. **OUR BOARD RECOMMENDS THAT YOU VOTE “FOR” ALL OF THE PROPOSALS LISTED ABOVE, INCLUDING THE RECLASSIFICATION OF OUR COMMON STOCK.** We encourage you to read carefully the Proxy Statement and attached appendices.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please complete, date, sign and return your proxy promptly in the enclosed envelope, which requires no postage if mailed in the United States. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously returned your proxy.

THE PROXY STATEMENT FOR THE 2010 ANNUAL MEETING OF SHAREHOLDERS, PROXY CARD, AND 2009 ANNUAL REPORT ARE AVAILABLE ONLINE AT
<http://www.cnbla.com>

On behalf of our Board of Directors, I would like to express our appreciation for your continued interest in the affairs of the Bank.

Sincerely,

/s/ Samuel F. Grigsby, Jr.

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

Neither the Office of the Comptroller of the Currency, the Securities and Exchange Commission, nor any state securities commission has passed upon the merits or fairness of the amendment to our Articles of Association relating to the reclassification or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

Common shareholders who receive Class A Preferred Stock or Class B Preferred Stock in the Reclassification will not receive any cash consideration for their shares of common stock and will lose voting rights on any matter other than a change in control transaction. All shareholders will lose the benefits of the Bank’s registration under the Exchange Act. See “PROPOSAL ONE – Overview of the Reclassification,” and “– Effects of the Reclassification on Shareholders of Community National Bank” below for additional information.

This Proxy Statement is dated May 10, 2010 and is being mailed to shareholders on or about May 12, 2010.

COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA

**225 West First North Street
Morristown, Tennessee 37814**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 21, 2010**

Notice is hereby given that a Annual Meeting of Shareholders of Community National Bank of the Lakeway Area (the "Bank") will be held at 10:00 a.m. EDT, on June 21, 2010 at the Rose Center, 442 West Second North Street, Morristown, Tennessee 37814, for the following purposes:

1. Reclassification of Stock. To amend our Articles of Association to reclassify certain of our shares of existing common stock into Class A Preferred Stock and Class B Preferred Stock for the purpose of discontinuing the registration of our common stock under the National Bank Act and the Securities Exchange Act of 1934.
2. Electing Directors. To elect four (4) directors to serve as Class I Directors of the Bank until the 2013 Annual Meeting of Shareholders and until their successors have been elected and qualified, and to elect one (1) director to serve as a Class III Director of the Bank until the 2012 Annual Meeting of Shareholders and until his successor has been elected and qualified.
3. 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, 2010.
4. Adjournment. To vote on a proposal to grant our management the authority to adjourn the meeting to another time and date in order to allow the Board of Directors to solicit additional proxies or attendance at the meeting.
5. Other Business. To transact such other business as may properly come before the Annual Meeting or any adjournment of the Annual Meeting.

Shareholders of record at the close of business on April 12, 2010 are entitled to notice of and to vote at the Annual Meeting of Shareholders and any adjournment or postponement of the Annual Meeting of Shareholders.

Dissenters' rights are available to you under the National Bank Act and the Tennessee Business Corporation Act if you do not vote in favor of the reclassification of our common stock, we complete the reclassification, and you perfect your right to receive the fair value of your shares. Please see the section entitled "INFORMATION REGARDING THE ANNUAL MEETING OF SHAREHOLDERS – Dissenters' Rights" beginning on page 11 of the accompanying Proxy Statement for a discussion of the availability of dissenters' rights and the procedures required to be followed to assert dissenters' rights in connection with the reclassification.

By order of the Board of Directors

/s/ Samuel F. Grigsby, Jr.

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

YOUR VOTE IS IMPORTANT

**WHETHER YOU EXPECT TO ATTEND THE ANNUAL MEETING OR NOT, PLEASE COMPLETE,
SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE
ENCLOSED ENVELOPE.**

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**COMMUNITY NATIONAL BANK
OF THE LAKEWAY AREA
225 West First North Street
Morristown, Tennessee 37814
(423) 587-2345**

**PROXY STATEMENT
For the Annual Meeting of Shareholders
To Be Held on June 21, 2010**

The Board of Directors of Community National Bank of the Lakeway Area (“Community National Bank” or the “Bank”) is furnishing this Proxy Statement in connection with its solicitation of proxies for use at the Annual Meeting of Shareholders. Among other proposals to be considered at the meeting, shareholders will be asked to vote on a proposed amendment to our Articles of Association that would reclassify certain shares of the Bank’s common stock into Class A Preferred Stock and Class B Preferred Stock (the “Reclassification”).

The Reclassification is designed to reduce the number of Community National Bank common shareholders of record to below 300, which will allow us to terminate the registration of our common stock under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and suspend our public reporting obligations under the National Bank Act and the Exchange Act. The Board has determined that it is in the best interests of Community National Bank and our shareholders to effect the Reclassification because the Bank will realize significant cost savings as a result of the suspension of our reporting obligations under the National Bank Act and the Exchange Act. The Board believes these cost savings and the other benefits of deregistration described in this Proxy Statement outweigh the loss of the benefits of registration to our shareholders, such as a reduction in publicly available information about the Bank and the elimination of certain corporate safeguards resulting from the Sarbanes-Oxley Act. Our common stock will continue to be traded on the Pink Sheets and the OTCBB after the Reclassification.

No cash will be paid to shareholders as consideration for their shares—only shares of Class A Preferred Stock and Class B Preferred Stock will be issued to shareholders of record holding 999 or fewer shares of the Bank’s common stock. All other shares of Community National Bank common stock, including all shares held in street name, will remain outstanding without modification. Please see “SUMMARY TERM SHEET” and “QUESTIONS AND ANSWERS ABOUT THE RECLASSIFICATION AND THE ANNUAL MEETING” below for additional information regarding the Reclassification.

In addition, at our Annual Meeting, shareholders will be asked to vote on several other proposals, which are each described in greater detail below, including (i) a proposal granting our management the authority to adjourn the meeting; (ii) a proposal to elect directors; (iii) a proposal to ratify the appointment of Pershing Yoakley & Associates, P.C.; and (iv) any other business that may properly come before the Annual Meeting.

This Proxy Statement provides you with detailed information about the proposed Reclassification or the other proposals being brought before the Annual Meeting for consideration by our shareholders. We encourage you to read this entire document carefully.

The Board of Directors has determined that the Reclassification is fair to Community National Bank’s unaffiliated shareholders and has approved the Articles of Amendment that include the proposed Reclassification. The Reclassification cannot be completed, however, unless the Reclassification is approved by the holders of a two-thirds of the votes entitled to be cast on the proposed Reclassification. The current directors and executive officers of Community National Bank own approximately 22.42% of the outstanding shares. The directors and executive officers have indicated that they intend to vote their shares in favor of the proposed Reclassification.

Neither the Office of the Comptroller of the Currency (the “OCC”), the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved the proposed Reclassification or the transactions contemplated thereby or has determined if this Proxy Statement is

truthful or complete. The OCC has not passed upon the fairness or merits of the proposed Reclassification or the transactions contemplated thereby, nor upon the accuracy or adequacy of the information contained in this Proxy Statement. Any representation to the contrary is a criminal offense.

The date of this Proxy Statement is May 10, 2010. We first mailed this Proxy Statement to the shareholders of Community National Bank on or about May 12, 2010.

SUMMARY TERM SHEET

The following is a summary of the material terms of the Reclassification. We urge you, however, to review the entire Proxy Statement and accompanying materials carefully. Much of the following information is presented in an alternative format in the “QUESTIONS AND ANSWERS ABOUT THE RECLASSIFICATION AND THE ANNUAL MEETING” beginning on page 60.

- **Structure of the Reclassification.** The Articles of Amendment provide for the reclassification of shares of Community National Bank common stock into shares of Class A Preferred Stock and Class B Preferred Stock. In the Reclassification, each shareholder who is the record holder of between 200 and 999 shares of our common stock will receive one share of our Class A Preferred Stock for each share of common stock owned on the effective date of the Reclassification, and those shareholders owning fewer than 200 shares of our common stock will receive one share of Class B Preferred Stock for each share of common stock owned on the effective date of the Reclassification. All other shares of Community National Bank common stock will remain outstanding and will be unaffected by the Reclassification. No cash will be paid to shareholders as consideration for their shares - only shares of Class A Preferred Stock and Class B Preferred Stock will be issued. Dissenters' rights are available, however, and shareholders who exercise those rights as described in this proxy statement and in Appendix B will be entitled to receive cash for their shares. See “INFORMATION REGARDING THE ANNUAL MEETING OF SHAREHOLDERS – Dissenters' Rights” on page 11 for additional information.

We selected this structure, as opposed to a transaction in which some of our shareholders would receive cash for their shares, principally because it presented a means by which all of our shareholders could retain an equity interest in the Bank while enabling us to maintain capital levels and to reduce our common shareholder base to the extent necessary to permit us to terminate our reporting obligations under the National Bank Act and the Exchange Act. Our common stock will continue to be traded on the Pink Sheets and the OTCBB after the Reclassification.

- **Terms of the Class A Preferred Stock to be Issued in the Reclassification.** Upon approval of the Reclassification, the Board of Directors will designate 200,000 shares of our authorized Preferred Stock as the “Class A Preferred Stock,” which will be reserved for issuance in connection with the Reclassification. If the Reclassification is not approved by our shareholders, we do not intend to file articles of amendment solely to designate either the Class A Preferred Stock or the Class B Preferred Stock. The proposed terms of the Class A Preferred Stock are set forth in Appendix A and principally provide as follows:
 - *Rank:* The Class A Preferred Stock ranks senior to our common stock and junior to our Class B Preferred Stock with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Bank.
 - *Voting Rights.* Unlike the common stock, the Class A Preferred Stock will only have voting rights in very limited circumstances. Except as provided by law, holders of Class A Preferred Stock are entitled to vote only upon (i) proposals that change the rights and privileges of the Class A Preferred Stock or (ii) proposals for a business transaction resulting in the transfer of a majority of our outstanding stock or of all or substantially all of the Bank's assets (a “Change in Control”) and upon which holders of our common stock are entitled to vote. When voting on a proposed Change in Control, the holders of Class A Preferred Stock will vote together with the holders of common stock and not as a separate class. Although all shareholders of our common stock will be eligible to vote on all of the proposals contained in this Proxy Statement during the 2010 Annual Meeting, following the Reclassification, holders of the Bank's Class A Preferred Stock, for example, will no longer be eligible to vote for the Bank's directors at future shareholder meetings.

- *Dividend Rights:* Holders of Class A Preferred Stock are entitled to a 5% preference in the distribution of cash dividends in relation to holders of our common stock, when and if declared and paid by Community National Bank, so that holders of the Class A Preferred Stock are entitled to receive dividends for each share of Preferred Stock held in a amount not less than 105% of the per-share amount paid to holders of common stock, prior to the receipt of dividends by the holders of common stock.
- *Conversion Rights Upon a Change of Control:* The shares of Class A Preferred Stock will have a right to the same consideration, on a share-for-share basis, as holders of common stock in the event of a Change of Control. Neither the holders of Class A Preferred Stock nor Community National Bank will have the right to otherwise cause the conversion of shares of Class A Preferred Stock.

See pages 17-20 for more detailed information regarding the terms of the Class A Preferred Stock and the Class B Preferred Stock.

- **Terms of the Class B Preferred Stock to be Issued in the Reclassification.** Upon approval of the Reclassification, the Board of Directors will designate 100,000 shares of our authorized Preferred Stock as the “Class B Preferred Stock,” which will be reserved for issuance in connection with the Reclassification. If the Reclassification is not approved by our shareholders, we do not intend to file articles of amendment solely to designate either the Class A Preferred Stock or the Class B Preferred Stock. The proposed terms of the Class B Preferred Stock are set forth in Appendix A and principally provide as follows:
 - *Rank:* The Class B Preferred Stock ranks senior to our common stock and our Class A Preferred Stock with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Bank.
 - *Voting Rights.* Unlike the common stock, the Class B Preferred Stock will only have voting rights in very limited circumstances. Except as provided by law, holders of Class B Preferred Stock are entitled to vote only upon proposals that change the rights and privileges of the Class B Preferred Stock. For those matters on which holders of Class B Preferred Stock are entitled to vote, such holders have the right to one vote for each share held, and are entitled to receive notice of any shareholders’ meeting held to act upon such matters in accordance with our Bylaws. Although all shareholders of our common stock will be eligible to vote on all of the proposals contained in this Proxy Statement during the 2010 Annual Meeting, following the Reclassification, holders of the Bank’s Class B Preferred Stock, for example, will no longer be eligible to vote for the Bank’s directors at future shareholder meetings.
 - *Dividend Rights:* Holders of Class B Preferred Stock are entitled to a 10% preference in the distribution of cash dividends in relation to holders of our common stock, when and if declared and paid by Community National Bank, so that holders of the Class B Preferred Stock are entitled to receive dividends for each share of Preferred Stock held in a amount not less than 110% of the per-share amount paid to holders of common stock, prior to the receipt of dividends by the holders of common stock. Holders of Class B Preferred Stock will be entitled to dividends in the event that the dividends are declared and paid on Community National Bank’s common stock or Class A Preferred Stock.
 - *Conversion Rights Upon a Change of Control:* The shares of Class B Preferred Stock will have a right to the same consideration, on a share-for-share basis, as holders of common stock in the event of a Change of Control. Neither the holders of Class B Preferred Stock nor Community National Bank will have the right to otherwise cause the conversion of shares of Class B Preferred Stock.

See pages 17-20 for more detailed information regarding the terms of the Class A Preferred Stock and the Class B Preferred Stock.

- **Class A Preferred Stock and Class B Preferred Stock Issued in Reliance on Exemption from Registration.** We are issuing the shares of preferred stock without registration under the Securities Act of 1933 in reliance on an exemption under Section 3(a)(9) of the Securities Act for the exchange by a company of any security with its existing shareholders exclusively, where no commission or other remuneration is paid or given directly or indirectly for soliciting the exchange. We believe that exemption is available for the Reclassification because we are only issuing the Class A Preferred Stock and the Class B Preferred Stock to our holders of common stock, and to no other persons or entities. Further, we are not paying any commission or other remuneration for soliciting the exchange.
- **Determination of Shares “Held of Record.”** Because OCC rules require that we count “record holders” for purposes of determining our reporting obligations, the Reclassification is based on shares held of record without regard to the ultimate control of the shares. For administrative efficiency, the Reclassification considers holders of record based upon the records of the Bank as of the effective date of the Reclassification. Generally speaking, a shareholder “of record” is the shareholder whose name is listed on the front of the stock certificate, regardless of who ultimately has the power to vote or sell the shares. For example, if a shareholder holds separate certificates individually, as a joint tenant with someone else, as trustee, and in an IRA, those four certificates represent shares held by four different record holders, even if a single shareholder controls the voting or disposition of those shares. For OCC counting purposes, shares held by a broker in “street name” on a shareholder’s behalf are held of record by the broker. However, because brokers who manage their positions through Depository Trust Company (“DTC”) appear on the records of the Bank under the name of DTC’s partnership nominee, Cede & Co., as a single holder of record, all broker positions managed through DTC will be aggregated for purposes of the Reclassification. As a result, even if you own fewer than 1,000 shares you can avoid reclassification of your shares by placing your shares into “street name” with a broker managing its account through DTC.
- **Avoiding Reclassification by Consolidation or “Street Name” Ownership.** In view of the OCC’s shareholder-counting rules described above, a single shareholder with 1,000 or more shares held in various accounts could receive Class A Preferred Stock or Class B Preferred Stock in the Reclassification for all of his or her shares if those accounts individually hold between 200 and 999 shares, or fewer than 200 shares, respectively. To avoid this, the shareholder may either consolidate his or her ownership into a single form of ownership representing 1,000 or more shares or acquire additional shares in the market sufficient to bring each of his accounts to or above the 1,000 share threshold prior to the effective date of the Reclassification. Alternatively, a shareholder who holds fewer than 1,000 shares of common stock may place his or her shares into “street name” with a broker managing his account through DTC. To ensure that the record ownership of the shares will be reflected appropriately on our transfer agent’s records on the effective date of the Reclassification, shareholders should initiate any transfers of their shares at least three business days prior to our special shareholders’ meeting, as we intend to effect the Reclassification promptly thereafter and it will take into account only those transfers that have settled by the effective date.
- **Effects of the Reclassification.** As a result of the Reclassification:
 - Our number of common shareholders of record, measured as of December 31, 2009, will be reduced from approximately 740 to approximately 212 under the OCC’s counting rules, or from approximately 712 to approximately 184 as reflected by the books of the Bank, and the number of outstanding shares of Community National Bank common stock will decrease from approximately 1,891,426 to approximately 1,752,127, resulting in a decrease in the number of shares of our common stock that will be available for purchase and sale in the market.
 - We estimate that approximately 117,409 shares of Class A Preferred Stock will be issued to approximately 311 shareholders of record in connection with the Reclassification.

- We estimate that approximately 21,890 shares of Class B Preferred Stock will be issued to approximately 217 shareholders of record in connection with the Reclassification.
- We will become able to terminate the registration of our common stock under the National Bank Act and the Exchange Act, which will mean that we will no longer be required to file reports with the OCC or be classified as a public company. This will reduce the amount of information that is publicly available about the Bank and will eliminate the legal requirement that the Bank abide by certain corporate governance safeguards resulting from the Sarbanes-Oxley Act, such as the requirement for an audited report on our internal controls and disclosure requirements relating to our audit committee composition, code of ethics and director nomination process, although the Bank has no intention to change its governance policies at the present time. Additionally, our executive officers, directors and other affiliates will no longer be subject to many of the reporting requirements and restrictions of the Exchange Act, including the reporting and short-swing profit provisions of Section 16, and information about their compensation and stock ownership will not be publicly available.
- Following the Reclassification, we expect that the common stock of the Bank will continue to be traded on the Pink Sheets and the Over the Counter Bulletin Board (OTCBB). In addition, following the Reclassification, shares of the Class A Preferred Stock and the Class B Preferred Stock will also be eligible for trading on the Pink Sheets and/or OTCBB if there is sufficient market interest.
- We will eliminate the direct and indirect costs and expenses associated with our registration under the Exchange Act, which we estimate will be approximately \$121,000 per year.
- We estimate that professional fees and other expenses related to the Reclassification will be approximately \$119,000, which we intend to pay with existing working capital. Much of this expense has been reflected in our 2009 results.
- Pro forma diluted earnings (loss) per common share will decrease from (\$1.26) per share to (\$1.35) per share for the year ended December 31, 2009.
- Book value per common equivalent share, which includes the Class A Preferred Stock and the Class B Preferred Stock, will decrease on a pro forma basis from \$6.58 to \$6.57 as of December 31, 2009.
- The percentage of Community National Bank common stock owned by our executive officers and directors as a group will increase from approximately 22.42% to 24.20%. We do not anticipate that any of our executive officers or directors will receive either Class A Preferred Stock or Class B Preferred Stock in the Reclassification. However, a total of 175 shares are held of record by the spouses and children of certain directors. Unless ownership of these shares is consolidated or the shares are transferred into street name to avoid reclassification, it is anticipated that these shares will be reclassified into shares of either Class A Preferred Stock or Class B Preferred Stock. See “—Security Ownership of Certain Beneficial Owners and Management” on page 56 for more information regarding stock owned by our affiliates.
- The decrease in the number of shares of common stock outstanding and the relatively small number of shares of Class A Preferred Stock and Class B Preferred Stock that will be outstanding after the Reclassification may further reduce the already limited liquidity of our common stock. However, the Bank’s stock has little present liquidity, and the Bank does not anticipate a material change in the liquidity of its capital stock as a result of the Reclassification.

For a more detailed description of these effects and the effects of the Reclassification on our affiliates and shareholders generally, including those receiving either Class A Preferred Stock or Class B Preferred Stock and those retaining common stock, see page 35.

- **Reasons for the Reclassification.** Our principal reasons for effecting the Reclassification are:
 - The direct and indirect cost savings of approximately \$250,000 per year that we expect to experience as a result of the deregistration of our common stock under the Exchange Act; and
 - Our belief that our shareholders have not benefited proportionately from the costs relating to the registration of our common stock, principally as a result of the limited trading market for our stock.

See page 22 for more detailed information.

- **Fairness of the Reclassification.** Based on a careful review of the facts and circumstances as described beginning on page 25, our Board of Directors and each of our affiliates believe that the terms and provisions of the Reclassification and the Class A Preferred Stock and the Class B Preferred Stock are substantively and procedurally fair to our unaffiliated shareholders. Our Board of Directors unanimously approved, and recommends that shareholders vote in favor of, the Reclassification.

Our affiliates are listed on page 32 and include all of our directors and executive officers. Because of our affiliates' positions with Community National Bank, each is deemed to be engaged in the Reclassification and has a conflict of interest with respect to the transaction because he or she is in a position to structure it in a way that benefits his or her interests differently from the interests of unaffiliated shareholders. At present, each of our directors and executive officers is the holder of record of more than 1,000 shares of common stock, and we anticipate that they will retain these shares of common stock in the transaction. In addition, a total of 175 shares are held of record by the spouses and children of certain directors. Unless ownership of these shares is consolidated or the shares are transferred into street name to avoid reclassification, it is anticipated that these shares will be reclassified into shares of either Class A Preferred Stock or Class B Preferred Stock. After the transaction, we anticipate that our directors and executive officers will be considered the beneficial owner of approximately 24.20% of our common stock. See "—Security Ownership of Certain Beneficial Owners and Management" on page 56 for more information regarding stock owned by our affiliates.

In the course of determining that the Reclassification is fair to and in the best interests of our unaffiliated shareholders, including both unaffiliated shareholders who will continue to hold shares of common stock as well as those shareholders whose shares of common stock will be reclassified into shares of Class A Preferred Stock or Class B Preferred Stock, the Board and each of our affiliates considered a number of positive and negative factors affecting these groups of shareholders in making their determinations. In connection with its fairness determination, the Board did not obtain any appraisal or independent valuation of the Class A Preferred Stock, the Class B Preferred Stock or common stock. The factors considered by the Board include—

- All shareholders will continue to hold an equity interest in Community National Bank, and no shareholder will be forced to involuntarily liquidate his or her equity interest in the Bank, although shareholders who wish to liquidate their holdings may do so through the exercise of dissenters' rights;
- Holders of our common stock will have the opportunity to retain their common stock or receive Class A Preferred Stock or Class B Preferred Stock by transferring or consolidating their shares or placing them in (or removing them from) "street name" accounts as described above in "Avoiding Reclassification by Consolidation or 'Street Name' Ownership;"

- The Board's belief that the advantages and disadvantages of the rights, preferences and limitations of the Class A Preferred Stock and/or Class B Preferred Stock will balance in comparison to the relative rights of our common stock, given that the decreased value associated with the loss of voting rights is offset by the increased value represented by the relative dividend preferences of the Class A Preferred Stock and Class B Preferred Stock and that the Class A Preferred Stock is entitled to vote and share equally in the proceeds with the common stock in the event of a change in control of the Bank;
- Pro forma diluted earnings (loss) per common share will increase from (\$1.26) per share to (\$1.35) per share for the year ended December 31, 2009.
- Book value per common equivalent share, which includes the Class A Preferred Stock and Class B Preferred Stock, will decrease on a pro forma basis from \$6.58 to \$6.57 as of December 31, 2009.
- The Reclassification should not be a taxable event for shareholders, except for those who exercise dissenters' rights.
- **Effectiveness of the Reclassification.** The Reclassification will not be effected unless approved by at least two-thirds of the votes entitled to be cast on the Reclassification. If our common shareholders vote to approve the Reclassification, no additional shareholder vote will be required for the Board of Directors to designate the terms of the Class A Preferred Stock or the Class B Preferred Stock. Assuming the shareholders approve the proposals, as shortly thereafter as is practicable, Community National Bank will file the Articles of Amendment with the OCC to effect the Reclassification. However, notwithstanding shareholder approval, at any time prior to the effective date of the Reclassification, the Board of Directors may abandon the Reclassification without any further shareholder action. If at any time prior to the effective date of the Reclassification the Board determines that (1) the estimated cost of payments to dissenting shareholders or legal expenses makes the Reclassification inadvisable or (2) the number of dissenting shareholders reflects a material negative reaction among a significant portion of the shareholders, the Board may elect to abandon the Reclassification.

We anticipate that the Reclassification will be effected in the second or third quarter of 2010. See page 33 for more detailed information.

- **Conditions and Regulatory Approvals.** Aside from approval of the Reclassification and the Reclassification by our common shareholders, the Reclassification is also subject to (i) the OCC's review and approval of the terms of the Class A Preferred Stock and the Class B Preferred Stock; and (ii) the OCC's review of a capital reduction plan relating to the potential disbursement of capital as a result of shareholders exercising dissenters' rights. These applications are being made simultaneously with the filing of this proxy statement.
- **Dissenters' Rights.** Holders of our common stock are entitled to dissent from the Reclassification under the National Bank Act and Article 23 of the Tennessee Business Corporation Act (Tenn. Code § 48-23-101, et. seq.). If you dissent, you are entitled to the statutory rights and remedies of dissenting shareholders provided in Article 23 of the Tennessee Business Corporation Act so long as you comply with the procedures of Article 23. Article 23 of the Tennessee Business Corporation Act provides that a dissenting shareholder is entitled to receive cash in an amount equal to the "fair value" of his or her shares.

To perfect dissenters' rights, among other things, you must give the Bank written notice of your intent to dissent from the Reclassification prior to the vote of the shareholders at the meeting and you must not vote your shares in favor of the Reclassification. Any shareholder who returns a signed proxy but fails to provide instructions as to the manner in which his or her shares are to be voted will be deemed to have voted in favor of the Reclassification and will not be entitled to assert dissenters' rights.

Generally, under Section 48-23-203 of the Tennessee Code, following approval of the Reclassification, the Bank will make an initial offer of payment to dissenting shareholders, if any, of an amount it estimates to be the “fair value” of the common stock, plus accrued interest, if any. If a dissenting shareholder believes the payment offer is less than the fair value of the common stock, he or she may notify the Bank of his or her estimate of fair value. If Community National Bank and any dissenting shareholders cannot settle the amount of fair value, fair value will be determined in a court proceeding in the appropriate state court. Should the appropriate state court decline to accept jurisdiction of an appraisal action, the Bank must pay for binding arbitration by an independent third party to appraise the stock, but the Bank will not be responsible for the costs of attorneys’ fees incurred by and the costs of experts retained by the dissenting shareholders.

Further, should a substantial number of shareholders exercise dissenters’ rights, we will not proceed with the Reclassification out of concerns over a potential capital reduction resulting from payments to dissenting shareholders as well as concerns related to shareholder relations.

See page 11 and Appendix B for additional information regarding procedures for asserting dissenters’ rights and the determination of “fair value” of the common stock.

IMPORTANT NOTICES

Our common stock, our Class A Preferred Stock, and our Class B Preferred Stock are not deposits or bank accounts and are not insured by the Federal Deposit Insurance Corporation (the “FDIC”) or any other governmental agency.

We have not authorized any person to give any information or to make any representations other than the information and statements included in this Proxy Statement. You should not rely on any other information. The information contained in this Proxy Statement is correct only as of the date of this Proxy Statement, regardless of the date it is delivered or when the Reclassification is effected.

We will update this Proxy Statement to reflect any factors or events arising after its date that individually or together represent a material change in the information included in this document.

We make forward-looking statements in this Proxy Statement that are subject to risks and uncertainties. Forward-looking statements include information about possible or assumed future results of the operations or our performance after the Reclassification is accomplished. When we use words such as “believes,” “anticipates,” “expects,” “intends,” “targeted,” and similar expressions, we are making forward-looking statements that are subject to risks and uncertainties. Various future events or factors may cause our results of operations or performance to differ materially from those expressed in our forward-looking statements. These factors include:

- (1) changes in economic conditions, both nationally and in our primary market area;
- (2) changes in governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- (3) the effect of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities and interest rate protection agreements;
- (4) the effects of competition from other financial service providers operating in our primary market area and elsewhere; and
- (5) the failure of assumptions underlying the establishment of reserves for loan losses and estimations of values of collateral and various financial assets and liabilities.

INFORMATION REGARDING THE ANNUAL MEETING OF SHAREHOLDERS

Time and Place of Meeting

We are soliciting proxies through this proxy statement for use at the annual meeting of Community National Bank shareholders. The annual meeting will be held at 10:00 a.m., local time, on Monday, June 21, 2010, at the Rose Center, 442 West Second North Street, Morristown, Tennessee 37814.

Record Date and Mailing Date

The close of business on April 12, 2010 is the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting. We first mailed the proxy statement and the accompanying form of proxy to shareholders on or about May 12, 2010.

Number of Shares Outstanding

As of the close of business on the record date, Community National Bank had 4,000,000 shares of common stock authorized, of which 1,891,426 shares were issued and outstanding, and 2,000,000 shares of preferred stock, no par value authorized, none of which are issued and outstanding. Each outstanding share of our common stock is entitled to one vote on all matters presented at the meeting.

Proposals to be Considered

Shareholders will be asked to vote on the following proposals:

1. Reclassification of Stock. To amend our Articles of Association to reclassify certain of our shares of existing common stock into Class A Preferred Stock and Class B Preferred Stock for the purpose of discontinuing the registration of our common stock under the Exchange Act.
2. Electing Directors. To elect four (4) directors to serve as Class I Directors of the Bank until the 2013 Annual Meeting of Shareholders and until their successors have been elected and qualified, and to elect one (1) director to serve as a Class III Director of the Bank until the 2012 Annual Meeting of Shareholders and until his successor has been elected and qualified.
3. 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, 2010.
4. Adjournment. To vote on a proposal to grant our management the authority to adjourn the meeting to another time and date in order to allow the Board of Directors to solicit additional proxies or attendance at the meeting.
5. Other Business. To transact such other business as may properly come before the Annual Meeting or any adjournment of the Annual Meeting.

The Articles of Amendment containing the proposed amendment described above, as well as the terms and conditions of the Class A Preferred Stock and the Class B Preferred Stock, are attached as Appendix C to this proxy statement.

Dissenters' Rights

Under Tennessee and federal law, shareholders who comply with the procedures set forth in Article 23 of the Tennessee Business Corporation Act (the "TBCA") relating to dissenters' appraisal rights are entitled to receive in cash the fair value of his or her shares of common stock. **A shareholder must comply strictly with the procedures set forth under Tennessee law relating to dissenters' rights, which, along with certain dispute resolution provisions**

of the National Bank Act, are set forth in Appendix B to this Proxy Statement. Failure to follow such procedures will result in a termination or waiver of his or her dissenters' rights. A vote in favor of the Reclassification will constitute a waiver of your dissenters' rights. Additionally, not voting in favor of the Reclassification, without compliance with the other requirements, including sending us notice of your intent to dissent prior to the Annual Meeting, does not perfect your dissenters' rights.

To perfect dissenters' appraisal rights, a holder of stock must not vote in favor of the proposed Reclassification, and must deliver to us, before the vote is taken, written notice of the shareholder's intent to demand payment for his or her shares if the proposed Reclassification is effectuated. Such written notification should be delivered either in person or by mail (certified mail, return receipt requested, is the recommended form of transmittal) to Darwin K. Kilday, our Executive Vice President and Chief Financial Officer. A shareholder who does not properly deliver this written notice is not entitled to payment for the shareholder's shares.

Within ten (10) days after the corporate action is taken, we will send each shareholder who satisfied the requirements above a dissenters' notice. The dissenters' notice will include direction as to where the shareholder must send a payment demand, where and when the certificates for the shares must be deposited. The dissenters' notice from us will also set a date by which we must receive the payment demand, which date may not be fewer than thirty (30) nor more than sixty (60) days after the date such dissenters' notice is delivered. The dissenters' notice will also be accompanied by a copy of Article 23 of the TBCA and the dispute resolution provisions of the National Bank Act.

A shareholder asserting his or her appraisal rights must execute and send a payment demand to us and deposit his or her certificates in accordance with the terms of the dissenters' notice before the date specified in the dissenters' notice.

A shareholder who does not send us a demand for payment and deposit his or her certificates by the date set forth in the dissenters' notice will no longer be entitled to dissenters' appraisal rights.

A record shareholder may assert dissenters' rights as to fewer than all the shares registered in his name only if he dissents with respect to all shares beneficially owned by any one (1) beneficial shareholder and notifies the corporation in writing of the name and address of each person on whose behalf he asserts dissenters' rights. The rights of a partial dissenter are determined as if the shares as to which he dissents and his other shares were registered in the names of different shareholders.

Within ten days of the later of the date the proposed corporate action is taken, or receipt of a payment demand if made within the prescribed period, we shall, by notice to each dissenter who complied with the above requirements, offer to pay to such dissenter the amount we estimate to be the fair value of his or her shares, plus accrued interest. The offer of payment will be accompanied by: (1) our balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any; (2) a statement of our estimate of the fair value of the shares; (3) an explanation of how the interest was calculated; (4) a statement of the dissenters' right to demand payment under Section 48-23-209 of the TBCA; and (5) a copy of Article 23 of the TBCA and the dispute resolution provisions of the National Bank Act.

If we do not take the proposed action within sixty (60) days after the date set for demanding payment and depositing share certificates, we shall return the deposited certificates to the dissenting shareholders.

If the dissenting shareholder accepts our offer by written notice to us within thirty (30) days after our offer or is deemed to have accepted such offer by failure to respond within said thirty (30) days, we shall make payment for his or her shares within sixty (60) days after the making of the offer or the taking of the proposed corporate action, whichever is later.

Should a dissenter choose not to accept our offer, the dissenter may notify us in writing of their own estimate of the fair value of their shares and amount of interest due and demand payment of their estimate of the fair value of their shares and interest due, if: (i) they believe that the amount we offered is less than the fair value of their shares or that the interest due is incorrectly calculated; or (ii) we, having failed to effectuate the Reclassification, do not return their

deposited share certificates within sixty (60) days after the date set for demanding payment. A dissenting shareholder will waive their right to demand payment under Section 48-23-209 of the TBCA and be deemed to have accepted our offer unless they notify us of their demand in writing within 30 days after our offer of payment for their shares.

If a dissenting shareholder makes a demand for payment that remains unsettled, we shall commence, at our sole expense, a proceeding within sixty (60) days after receiving the payment demand and petition a court of competent jurisdiction to receive a judicial appraisal of the fair value of your shares and accrued interest. If we do not commence the proceeding within the sixty (60) day period, we shall pay each dissenter whose demand remains unsettled the amount demanded. We shall serve a copy of the petition in the proceeding upon each dissenting shareholder who is a resident of the State of Tennessee in the manner provided by Tennessee law for the service of a summons and complaint, and upon each nonresident dissenting shareholder either by registered or certified mail or statutory overnight delivery or by publication, or in any other manner permitted by law. Each dissenter made a party to the proceeding is entitled to judgment for the amount which the court finds to be the fair value of his shares, plus interest to the date of judgment. Should the appropriate court refuse jurisdiction over the appraisal of the shares, the Bank will enter into binding third-party arbitration, at its sole expense, with the dissenting shareholder to determine the fair value of the dissenting shares.

No action by any dissenter to enforce dissenters' rights shall be brought more than three years after a corporate action was taken, regardless of whether notice of the corporate action and of the right to dissent was given by the corporation in compliance with the provisions of Article 23 of the TBCA.

This is a summary of the material rights of a dissenting shareholder, and is qualified by reference to the dissenters' appraisal rights provisions contained in the TBCA and the National Bank Act, which are reproduced in full in Appendix B to this Proxy Statement and are incorporated herein by reference. As previously approved by the OCC, the National Bank Act pre-empts and supersedes state law in regard to the disposition of costs relating to certain dispute resolution processes, including the Bank's coverage of court costs and independent third party arbitration relating to the appraisal of dissenting shares. If you intend to dissent from approval of the Reclassification, you should carefully review the text of Appendix B and should also consult with your attorney. We will not give you any further notice of the events giving rise to dissenters' rights or any steps associated with perfecting dissenters' rights, except as indicated above or as otherwise required by law.

We plan to estimate the "fair value" of our shares of common stock from the average of two values, one using a multiple of earnings and the other using book value. This price may also take into account the last known trade price for the common stock. The Board may also choose to rely on an independent third party to determine the "fair value" of our shares.

Finally, should a significant number of shareholders exercise their dissenters' rights, we will not proceed with the Reclassification out of concerns related to the costs of repurchasing the dissenting shares, as well as concerns related generally to shareholder relations. The Board elected to pursue the Reclassification as it allowed all current shareholders to maintain an equity position in the Bank while also reducing the Bank's operating expenses in a cost-effective manner.

Procedures for Voting by Proxy

If you properly sign, return and do not revoke your proxy, the persons appointed as proxies will vote your shares according to the instructions you have specified on the proxy. If you sign and return your proxy but do not specify how the persons appointed as proxies are to vote your shares, your proxy will be voted **FOR** approval of each of the proposals identified in this proxy statement, and in the best judgment of the persons appointed as proxies on all other matters that are unknown to us as of a reasonable time prior to this solicitation and that are properly brought before the annual meeting.

You can revoke your proxy at any time before it is voted by delivering to Community National Bank's Corporate Secretary, 225 West First North Street, Morristown, Tennessee 37814, either a written revocation of the proxy or a duly signed proxy bearing a later date or by attending the annual meeting and voting in person.

Requirements for Shareholder Approval

A quorum will be present at the meeting if a majority of the outstanding shares of Community National Bank common stock are represented in person or by valid proxy. Based on the 1,891,426 shares outstanding as of the record date, a quorum will consist of 945,714 shares represented either in person or by proxy. We will count abstentions and broker non-votes, which are described below, in determining whether a quorum exists.

Proposal One, relating to the reclassification amendment to Community National Bank's Articles of Association, requires approval by two-thirds of the shares of common stock outstanding as of the Record Date and entitled to be voted at the meeting.

Proposal Two, relating to the election of four Class I Directors and one Class III Director, requires approval by a plurality of the votes cast by the holders of shares of common stock entitled to vote with respect to this proposal. For example, the four (4) nominees to serve as Class I Directors receiving the greatest number of votes will be elected. Abstentions and Broker Non-Votes will have no effect on the outcome of the vote with respect to this proposal.

Proposal Three, as well as any other proposal that is properly brought before the Annual Meeting, will require more votes cast in favor of such proposal than against the proposal. Abstentions and Broker Non-Votes will have no effect on the outcome of the vote with respect to these proposals.

Proposal Four, relating to the authority of Community National Bank to adjourn the meeting, requires that the number of shares voted in favor of the proposal exceed the number of shares voted against the proposal.

Community National Bank's directors and executive officers beneficially own 424,143 shares, representing approximately 22.42% of the outstanding shares of common stock. All of the directors and executive officers, including all independent directors, have indicated that they each intend to vote his or her shares in favor of each of these four proposals.

Abstentions and Broker Non-Votes. 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.

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.

Abstentions and broker non-votes will have the effect of a vote against Proposal One, as approval of Proposal One is dependent on the total number of affirmative votes received, but will have no effect on the other proposals, or to our knowledge, on any other matter properly brought before the annual meeting.

Solicitation of Proxies

Proxies are being solicited by our Board of Directors, and Community National Bank pays all costs for such solicitation. In addition, our directors, officers and employees may, without additional compensation, solicit proxies by personal interview, telephone or fax. We will direct brokerage firms or other custodians, nominees or fiduciaries to forward our proxy solicitation materials 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.

PROPOSAL ONE: APPROVAL OF THE RECLASSIFICATION AMENDMENT

Overview of the Reclassification

Structure. If this Proposal One is approved, the Reclassification will provide for the reclassification of shares of our common stock held by shareholders who own between 200 and 999 shares into shares of Class A Preferred Stock, and shares of our common stock held by shareholders who own less than 200 shares into shares of Class B Preferred Stock. The Reclassification will be made on the basis of one share of Class A Preferred Stock or Class B Preferred Stock as described above for each share of common stock held. The Board of Directors will designate the terms and conditions of each of the Class A Preferred Stock and the Class B Preferred Stock; the terms of each class of preferred stock are described more fully beginning on page 17 below.

Record shareholders holding 1,000 or more shares of common stock before the Reclassification will hold the same number of shares of common stock following the Reclassification and record holders of less than 1,000 shares of common stock will no longer hold common stock in the Bank. We intend, immediately following the Reclassification, to terminate the registration of our shares of common stock and suspend our reporting obligations under the National Bank Act and the Exchange Act.

If approved by our shareholders at the Annual Meeting and implemented by our Board of Directors, the Reclassification will generally affect our shareholders as follows:

IF, PRIOR TO THE TRANSACTION, YOU ARE A RECORD SHAREHOLDER WITH

Common stock held in “street name” through a nominee (such as a bank or broker)

1,000 or more shares

Between 200 and 999 shares

Less than 200 shares

AFTER THE TRANSACTION

The Reclassification will be effected at the record shareholder level as reflected on the books of the Bank. Therefore, regardless of the number of beneficial holders or the number of shares held by each beneficial holder, shares held in “street name” will be treated as subject to the Reclassification based on the aggregate number of shares held in street name. Consequently, even if you beneficially own only 100 shares of common stock but they are held in street name prior to the Reclassification, you will continue to beneficially own 100 shares of common stock after the Reclassification.

You will continue to own your shares of common stock, and we expect that the common stock of the Bank will continue to be traded on the Pink Sheets and the Over the Counter Bulletin Board (OTCBB).

You will no longer hold shares of our common stock. Instead, you will hold a number of shares of Class A Preferred Stock equal to the same number of shares of common stock that you held before the Reclassification. Shares of Class A Preferred Stock will be eligible for trading on the Pink Sheets and/or OTCBB if there is sufficient market interest. Sales may also be made in privately negotiated transactions.

You will no longer hold shares of our common stock. Instead, you will hold a number of shares of Class B Preferred Stock equal to the same number of shares of common stock that you held before the Reclassification. Shares of Class B Preferred Stock will be eligible for trading on the Pink Sheets and/or OTCBB if there is sufficient market interest. Sales may also be made in privately negotiated transactions.

The effects of the Reclassification on each group of shareholders are described more fully below under “- Effects of the Reclassification on Shareholders of Community National Bank” beginning on page 35 and the effects

on the Bank are described more fully below under “- Effects of the Reclassification on Community National Bank” beginning on page 33.

Determination of Shares “Held of Record.” Each shareholder who is the record holder of between 200 to 999 shares of Community National Bank common stock, as reflected on the books of the Bank, will receive one share of Class A Preferred Stock for each share of Community National Bank common stock they own on the effective date of the Reclassification. In addition, each shareholder who is the record holder of fewer than 200 shares of Community National Bank common stock, as reflected on the books of the Bank, will receive one share of Class B Preferred Stock for each share of Community National Bank common stock they own on the effective date of the Reclassification. A record holder on the books of the Bank of 1,000 or more shares will be unaffected. Because SEC rules require that we count “record holders” for purposes of determining our reporting obligations, the Reclassification is based on shares held of record without regard to the ultimate control of the shares. For administrative efficiency, the Reclassification considers holders of record based upon the records of the Bank as of the effective date of the Reclassification.

Generally speaking, a shareholder “of record” is the shareholder whose name is listed on the front of the stock certificate, regardless of who ultimately has the power to vote or sell the shares. For example, if a shareholder holds separate certificates individually, as a joint tenant with someone else, as trustee, and in an IRA, those four certificates represent shares held by four different record holders, even if a single shareholder controls the voting or disposition of those shares. For OCC counting purposes, shares held by a broker in “street name” on a shareholder’s behalf are held of record by the broker. However, because brokers who manage their positions through DTC appear on the records of the Bank under the name of DTC’s partnership nominee, Cede & Co., as a single holder of record, all broker positions managed through DTC will be aggregated for purposes of the Reclassification. As a result, you can avoid reclassification of your shares by placing your shares into “street name” with a broker that manages its account through DTC.

A single shareholder with 1,000 or more shares held in various accounts could receive Class A Preferred Stock or Class B Preferred Stock in the Reclassification for all of his or her shares if those accounts individually hold fewer than 1,000 shares. To avoid this, the shareholder could either consolidate his or her ownership into a single form of ownership representing 1,000 or more shares, or acquire additional shares in the market prior to the effective date of the Reclassification, or place all of the shares into a “street name” account with a broker that manages its position through DTC.

Legal Effectiveness. As soon as practicable after shareholder approval, we will file Articles of Amendment to our Articles of Association with the OCC and will send a Letter of Transmittal to all record holders of Community National Bank common stock who are entitled to receive either Class A Preferred Stock or Class B Preferred Stock in the Reclassification directing them to submit their common stock certificates for exchange. The Reclassification will be effective upon the filing of the Articles of Amendment with the OCC. We anticipate that this will occur in the second or third quarter of 2010.

On the effective date of the Reclassification, each shareholder who owns fewer than 1,000 shares of record, as reflected on the books of the Bank, immediately prior to the Reclassification will not have any rights as a holder of Community National Bank common stock and will instead have the rights of either a Class A Preferred or Class B Preferred shareholder.

Regulatory Requirements. In connection with the Reclassification, we will be required to make a number of filings with, and obtain a number of approvals from, various federal and state governmental agencies, including:

- filing of the terms of the Class A Preferred Stock and the Class B Preferred Stock with the OCC for its review and approval, in accordance with the National Bank Act;
- filing of a regulatory application with the OCC for approval of a capital reduction plan relating to the possible capital expenditures of the Bank in response to the exercise of dissenters’ rights by holders of our common stock, in accordance with the National Bank Act and the Tennessee Business Corporation Act; and

- complying with federal securities laws, including filing of this Proxy Statement on Schedule 14A and a transaction statement on Schedule 13E-3 with the OCC.

Accounting Treatment. The accounting treatment of the Reclassification will be in accordance with U.S. generally accepted accounting principles. For shares of common stock purchased from dissenters, additional paid-in capital will be reduced by the amount paid for the shares.

Fees and Expenses. We will be responsible for paying the Reclassification related fees and expenses, consisting primarily of fees and expenses of our attorneys and accountants and other related charges. We estimate that our expenses will total approximately \$119,000, assuming the Reclassification is completed. This amount consists of the following estimated fees:

<i>Description</i>	Amount
Legal fees and expenses	\$100,000
Accounting fees and expenses	2,000
Printing and mailing costs	17,000
Total	\$119,000

We anticipate that these fees will be paid through cash-on-hand, and much of the expense has been reflected in our 2009 results.

Exchange of Stock Certificates for Class A Preferred Stock or Class B Preferred Stock. The Letter of Transmittal will provide the means by which shareholders will surrender their Community National Bank common stock certificates and obtain either the Class A Preferred Stock or the Class B Preferred Stock certificates to which they are entitled. If certificates evidencing Community National Bank common stock have been lost or destroyed, the Bank may, in its sole discretion, accept a duly executed affidavit and indemnity agreement of loss or destruction in a form satisfactory to the Bank in lieu of the lost or destroyed certificate. If a certificate is lost or destroyed, the shareholder will be required to submit, in addition to other documents, a bond or other security, satisfactory to the Board, indemnifying Community National Bank and all other persons against any losses incurred as a consequence of the issuance of a new stock certificate. Shareholders whose certificates have been lost or destroyed should contact the Bank as soon as possible. Additional instructions regarding lost or destroyed stock certificates will be included in the Letter of Transmittal that will be sent to shareholders after the Reclassification becomes effective.

Except as described above with respect to lost stock certificates, there will be no service charges or costs payable by shareholders in connection with the exchange of their common stock certificates for Class A Preferred Stock or the Class B Preferred Stock certificates in the Reclassification. Community National Bank will bear these costs.

The Letter of Transmittal will be sent to shareholders promptly after the effective date of the Reclassification. Do not send in your common stock certificates until you have received the Letter of Transmittal. Assuming you submit your common stock certificates promptly thereafter, we expect that you will receive your Class A Preferred Stock or Class B Preferred Stock certificates approximately four weeks after the effective date of the Reclassification.

Terms of the Class A Preferred Stock

General

The shares of Class A Preferred Stock to be issued in the Reclassification will be fully paid and nonassessable shares of Class A Preferred Stock.

Rank

The Class A Preferred Stock, with respect to dividend rights, ranks senior to the common stock and to all other classes and class of equity securities of the Bank, other than the Class B Preferred Stock and any classes or class of equity securities that we subsequently issue ranking on a parity with, or senior to the Class A Preferred Stock, as to dividend rights. The relative rights and preferences of the Class A Preferred Stock may be subordinated to the relative rights and preferences of holders of subsequent issues of other class or classes of Class A Preferred Stock and equity securities designated by our Board of Directors. The Class A Preferred Stock is junior to indebtedness issued from time to time by the company, including notes and debentures.

Dividend Rights

In the event that dividends are paid on our common stock, holders of Class A Preferred Stock shall be entitled to receive dividends which are 105% of the dividends paid on our common stock. No dividend, however, may be paid to the holders of the Class A Preferred Stock unless dividends are also paid to the holders of shares of the Class B Preferred Stock. We are not required to pay any dividends on the Class A Preferred Stock, and dividends will not cumulate, and any dividends on the Class A Preferred Stock will not accumulate to future periods and will not represent a contingent liability. As a national bank, the Bank is subject to the dividend restrictions set forth by the OCC. Under such restrictions, the Bank may not, without the prior approval of the OCC, declare dividends in any one year in excess of the sum of the Bank's current year earnings plus undistributed Bank earnings from the prior two years. In addition, under applicable OCC guidelines, we are not permitted to issue dividends until the Bank achieves cumulative profitability.

For additional information regarding the ability of the Bank to pay dividends and the regulatory and statutory limitations on that ability, please refer to "INFORMATION ABOUT COMMUNITY NATIONAL BANK – Market for Our Common Equity and Related Matters – Dividends" on page 58.

Voting Rights

Holders of Class A Preferred Stock shall have no general voting control over the Bank and shall be entitled to vote only upon any merger, share exchange, sale of substantially all of the assets, voluntary dissolution of the Bank, on proposals that would change the rights and privileges of the Class A Preferred Stock, or as otherwise required by law. On those matters on which the holders of the Class A Preferred Stock are entitled to vote, the holders have the right to one vote for each such share, and are entitled to receive notice of any shareholders' meeting held to act upon such matters in accordance with our bylaws. Except as may otherwise be provided for by law, the holders of Class A Preferred Stock vote together with the holders of common stock on matters to which they are entitled to vote.

Conversion Rights

The shares of Class A Preferred Stock are automatically converted to shares of common stock at a 1:1 ratio on a change in control of the Bank. The shares are not convertible otherwise.

Liquidation Rights

Holders of Class A Preferred Stock are entitled to a distribution of assets of Community National Bank in the event of any voluntary or involuntary liquidation, dissolution or winding-up of Community National Bank, on a basis with the holders of common stock. The Class A Preferred Stock is entitled to distribution of assets following distribution of amounts designated to holders of Class B Preferred Stock, and prior to distribution of assets to holders of the common stock.

Preemptive or Anti-Dilutive Rights

Holders of Class A Preferred Stock do not have any preemptive rights to purchase any additional shares of Class A Preferred Stock or shares of any other class of our capital stock that may be issued in the future or any

protection from having their interest in the Bank economically diluted through the issuance of additional shares of stock.

Terms of the Class B Preferred Stock

General

The shares of Class B Preferred Stock to be issued in the Reclassification will be fully paid and nonassessable shares of Class B Preferred Stock.

Rank

The Class B Preferred Stock, with respect to dividend rights, ranks senior to the common stock, the Class A Preferred Stock, and to all other classes and class of equity securities of the company, other than any classes or class of equity securities that we subsequently issue ranking on a parity with, or senior to the Class B Preferred Stock, as to dividend rights. The relative rights and preferences of the Class B Preferred Stock may be subordinated to the relative rights and preferences of holders of subsequent issues of other class or classes of Class B Preferred Stock and equity securities designated by our Board of Directors. The Class B Preferred Stock is junior to indebtedness issued from time to time by the company, including notes and debentures.

Dividend Rights

In the event that dividends are paid on our common stock or Class A Preferred Stock, holders of Class B Preferred Stock shall be entitled to receive dividends which are equal to 110% of the dividends paid on our common stock. We are not required to pay any dividends on the Class B Preferred Stock, and any dividends on the Class B Preferred Stock will not accumulate to future periods and will not represent a contingent liability. As a national bank, the Bank is subject to the dividend restrictions set forth by the OCC. Under such restrictions, the Bank may not, without the prior approval of the OCC, declare dividends in any one year in excess of the sum of the Bank's current year earnings plus undistributed Bank earnings from the prior two years. In addition, under applicable OCC guidelines, we are not permitted to issue dividends until the Bank achieves cumulative profitability.

For additional information regarding the ability of the Bank to pay dividends and the regulatory and statutory limitations on that ability, please refer to "INFORMATION ABOUT COMMUNITY NATIONAL BANK – Market for Our Common Equity and Related Matters – Dividends" on page 58.

Voting Rights

Holders of Class B Preferred Stock shall have no general voting control over the Bank and shall have no voting rights except on proposals that would change the rights and privileges of the Class B Preferred Stock, or except as otherwise required by law. On those matters on which the holders of the Class B Preferred are entitled to vote, the holders have the right to one vote for each such share, and are entitled to receive notice of any shareholders' meeting held to act upon such matters in accordance with our bylaws. Except as may otherwise be provided for by law, the holders of Class B common stock vote together with the holders of common stock and Class A Preferred Stock on matters to which they are entitled to vote. If a proposed amendment would uniquely affect the Class B Preferred Stock in one or more of the ways described above, the shares of the Class B Preferred Stock would be entitled to vote as a separate voting group on the proposed amendment.

Conversion Rights

The shares of Class B Preferred Stock are automatically converted to shares of common stock at a 1:1 ratio on a change in control of the Bank. The shares are not convertible otherwise.

Liquidation Rights

Holders of Class B Preferred Stock are entitled to a distribution of assets of Community National Bank in the event of any voluntary or involuntary liquidation, dissolution or winding-up of Community National Bank, on a basis with the holders of common stock. The Class B Preferred Stock is entitled to distribution of assets prior to the distribution of assets to the holders of the Class A Preferred Stock and holders of the common stock.

Preemptive/Anti-Dilutive Rights

Holders of Class B Preferred Stock do not have any preemptive rights to purchase any additional shares of Class B Preferred Stock or shares of any other class of our capital stock that may be issued in the future, or any protection from having their interest in the Bank economically diluted through the issuance of additional shares of stock.

SPECIAL FACTORS RELATING TO THE RECLASSIFICATION

Background of the Reclassification

We became a publicly reporting company in 2004. As a reporting company under the National Bank Act and the Exchange Act, we are required to prepare and file with the OCC, among other items, the following:

- Annual Reports on Form 10-K;
- Quarterly Reports on Form 10-Q;
- Proxy Statements and related materials as required by Regulation 14A under the Exchange Act;
- Current Reports on Form 8-K; and
- On-going reports regarding stock transfers by affiliates and insiders.

In addition to the administrative burden on management required to prepare these reports, the costs associated with these reports and other filing obligations comprise a significant corporate expense. These costs include securities counsel fees, auditor fees, costs of printing and mailing shareholder documents and other miscellaneous costs associated with filing periodic reports with the OCC. Administrative burdens include the time spent preparing the periodic reports and monitoring compliance with Section 16 of the Exchange Act, including preparing forms relating to such compliance. These registration and reporting related costs have been increasing over the years, and we believe they will continue to increase. While we complied with these requirements and believe they are generally beneficial to our shareholders, the compliance costs have steadily increased while our personnel resources available to deal with these requirements has remained constant.

In 2008, in response to the declining state of the national economy in general, the state of the capital markets with respect to financial institutions in particular, and a desire to improve the profitability of the Bank, our Board of Directors undertook a proactive examination of potential strategic alternatives to improve the Bank going forward. In view of the extensive nature of our compliance obligations and the Bank's limited personnel and economic resources, the Board of Directors directed management to evaluate, among other alternatives, a "going private" transaction as a possible strategic alternative. This form of transaction had been discussed preliminarily by management, the Board of Directors and legal counsel, Bryan Cave LLP, among other strategic alternatives periodically. In light of the need to obtain OCC and shareholder approval, and the timing requirements associated therein, the Board deferred action on a going private transaction. However, the Board approved the de-listing of the Bank's securities from the Nasdaq stock market, effective December 29, 2008. The Bank delisted from the Nasdaq stock market to reduce and more effectively manage its regulatory and administrative costs, and to enable Bank management to better focus on the growth and development of the Bank's business and prospects.

On July 10, 2009, members of Bryan Cave LLP met with the Board of Directors at a special board meeting to discuss the potential positive and negative aspects of a "going private" transaction and discussed whether such a transaction could be appropriate for the Bank. The relative costs and benefits of various transactional structures,

including a reclassification, cash-out merger, reverse stock split and tender offer were discussed in some specific detail. Counsel summarized potential terms of a going private transaction, including possible designations for the classes of preferred stock and possible thresholds for a reclassification.

In order to cause the common stock, Class A Preferred Stock, and Class B Preferred Stock each to be a different class of stock under the applicable federal securities laws, the Board discussed with counsel the various possible rights and designations of the preferred stock. With respect to voting, counsel recommended that there be a distinction in the voting rights of each class. For example, while holders of the common stock would continue to hold unlimited voting rights, recipients of the Class A Preferred Stock could have their voting rights limited to transactions involving a change in control of the Bank, such as a merger or sale, any proposed amendments to the Articles of Association that would amend the relative rights and terms of the Class A Preferred Stock, or where otherwise required by law, while the Class B Preferred Stock holders would only have voting rights as required by law.

Counsel also discussed differing dividend rights as another method of drawing a distinction between the three classes. For example, the Class A Preferred Stock could have a right to dividends not less than 105% of the dividends paid to the common shareholders, and the Class B Preferred Stock could be granted a dividend right of 110% of any dividends paid to the common shareholders. These distinctions would not only help provide a distinction between the classes, but could also help compensate for the loss of voting rights.

Counsel also discussed that the classes of preferred stock could provide that the shares would automatically convert into common stock upon a merger, share exchange or other transaction that results in the disposition of all or substantially all of the assets of the Bank. Counsel expressed the possibility that the distinction in voting and dividend rights could offset each other. Counsel also discussed that the cutoff for the number of shares held prior to the Reclassification in order to be reclassified into the Class A Preferred Stock or Class B Preferred Stock could be based entirely upon the number of holders of record in each group, with thresholds established to divide the groups based upon the registration requirement thresholds.

Because the Bank does not have a holding company, its securities reporting obligations are to the OCC rather than the SEC, lending additional uncertainty to a reclassification transaction. While the SEC had seen dozens of comparable transactions over the last several years, the OCC had not. Counsel expressed concern that a going private transaction of this sort would be considered a novel transaction by the OCC. Following discussion by the Board and management with counsel, the Board found the Reclassification transaction to be one that should merit further action and requested that counsel begin preparing an initial proposal for a reclassification transaction that would be consistent with the general principles and consideration of the Board to that point.

Over the next several months, management and counsel reviewed and evaluated existing guidance from the OCC regarding comparable transactions, and conducted preliminary discussions with the OCC. Based on these discussions with the OCC, management advised the Board of Directors that counsel believed that OCC approval of the transaction, assuming a two-third shareholder approval and provision of dissenters' rights, would receive due consideration by the OCC upon a submission of a formal written request. On October 19, 2009, the Board of Directors authorized counsel to prepare and submit a formal written request, and on November 6, 2009, the request was submitted by counsel to the OCC. Following a number of subsequent conversations between counsel and the OCC, on February 11, 2010, the OCC confirmed the Bank could, following appropriate regulatory approvals as further discussed in this proxy statement, effect the proposed share reclassification.

Accordingly, management instructed counsel to prepare a formal draft of this proxy statement and accompanying Articles Amendment to effect the Reclassification. At its regularly scheduled Board Meeting on March 15, 2010, the Board reviewed a draft of the proxy statement, the designations of the classes of preferred stock, and the thresholds for which shares would be reclassified. In addition to the members of the Board, this meeting was attended via teleconference by legal counsel.

At this time, the Board's discussion focused on the relative costs and benefits of being a public company as described in "—Purpose of the Reclassification" and on the possibility of using various transactional structures including a cash-out merger, reverse stock split or tender offer as well as a reclassification to effect the transaction. The

Board first decided that going private would be in the Bank's best interests for the reasons described in "—Purpose of the Reclassification." Among other items, members of the Board of Directors highlighted the potential cost savings related to the Reclassification and the limited existing market for the Bank's stock, as well as the ability of holders of the Bank's common stock to maintain their equity interest in the Bank following a reclassification transaction. After further discussion, the Board determined that a reclassification transaction presented the best solution for the Bank and its shareholders.

The Board discussed in more specific detail the possible effects of the Reclassification, as outlined below in "—Effects of the Reclassification on Community National Bank, —Effects of the Reclassification on Shareholders Generally, —Effects of the Reclassification on Affiliates," and "—Effects of the Reclassification on Unaffiliated Shareholders." The Board also discussed and affirmed the substantive and procedural fairness of the terms of the "going private" transaction to unaffiliated shareholders receiving Class A Preferred Stock or Class B Preferred Stock and to those retaining common stock as described in "—Recommendation of the Board of Directors; Fairness of the Reclassification."

The Board determined it to be in the best interests of the Bank to amend its Articles of Association to designate sufficient shares of new classes of Class A Preferred Stock and Class B Preferred Stock to effect the Reclassification. Management presented the proposed 200 and 1,000 share thresholds, which it had concluded, with counsel's advice, represented the optimal division point based on the relative record ownership of the Bank's shareholders and the need to reduce the number of common shareholders of record under the Exchange Act to below 300 and generate two classes of preferred shareholders, each with fewer than 500 shareholders of record, while also leaving room for expansion in each class. The Board approved the 200 and 1,000 share reclassification thresholds, the proposed terms of the Class A Preferred Stock, and the proposed terms of the Class B Preferred Stock. The Board directed management to finalize the drafting of a proxy statement and related documents for the Reclassification.

Following Board approval, management, with the assistance of counsel, completed the proxy statement and related documents for the Reclassification and circulated to the affiliates of the Bank for review and execution of the Schedule 13E-3. On April 12, 2010, the Bank filed its preliminary proxy statement and Schedule 13E-3 with the OCC.

Reasons for the Reclassification; Fairness of the Reclassification; Board Recommendation

Reasons for the Reclassification

Since de-listing our stock with NASDAQ in 2008, shares of our common stock are traded on the Over the Counter Bulletin Board (OTCBB) and the Pink Sheets. As a locally-owned community bank whose common stock is traded relatively infrequently (See "INFORMATION ABOUT COMMUNITY NATIONAL BANK – Market for Our Common Equity and Related Matters" below for additional information), we have struggled to justify the costs associated with being a publicly-traded company. In 2009, management, along with its accounting and legal advisors, began to discuss alternatives to reduce costs associated with Exchange Act compliance, including the burdens of Section 404 of the Sarbanes-Oxley Act (SOX), and the other costs and time expended in complying with the registered securities rules. We are undertaking the Reclassification at this time to suspend our reporting obligations under the National Bank Act and the Exchange Act in order to save the Bank and our shareholders the substantial costs associated with being a reporting company, and these costs are expected to increase over time. The specific factors considered in electing at this time to undertake the Reclassification and suspend our reporting obligations are as follows:

- We estimate that the reduction in the number of common shareholders and the suspension of our reporting requirements under the Exchange Act will result in net savings of approximately \$90,000 per year. This estimate does not include anticipated SOX compliance expenses, which are described in a table set forth below, and that will be eliminated entirely as a result of the Reclassification. Barring completion of the Reclassification, we would anticipate incurring these costs annually starting this year.

We estimate that we incur the following fees and expenses related to the preparation, review and filing of periodic reports on Form 10-K and Form 10-Q and annual proxy statements:

Legal Fees	\$ 52,500
Independent Auditor Fees	63,000
Proxy Solicitation, Printing and Mailing Costs	17,000
Management and Staff Time	<u>12,500</u>
Total Annual Public Reporting Costs (Exclusive of Anticipated SOX Costs)	<u>\$ 145,000</u>

We will continue to have our financial statements audited and will prepare an annual report for our shareholders. We expect to incur lower costs due to the elimination of review by our auditors of our quarterly and annual reports filed with the OCC as well as simplified disclosure. We expect to incur the following fees and expenses related to the preparation and review of such annual reports:

Legal Fees	\$ 5,000
Independent Auditor Fees	44,000
Proxy Solicitation, Printing and Mailing Costs	3,500
Management and Staff Time	<u>2,500</u>
Total Annual Private Reporting Costs	<u>\$ 55,000</u>

As a result of these lower costs, we anticipate a net savings of approximately \$90,000 related to the preparation of an annual report for our shareholders in lieu of compliance with the periodic reporting requirements under the National Bank Act and the Exchange Act.

Legal Fees	\$ 47,500
Independent Auditor Fees	19,000
Proxy Solicitation, Printing and Mailing Costs	13,500
Management and Staff Time	<u>10,000</u>
Net Annual Costs Savings (Exclusive of Anticipated SOX Costs)	<u>\$ 90,000</u>

We also expect to save the following fees and expenses related to compliance with the requirements of Section 404 of SOX on an annual basis. Going forward, barring completion of the Reclassification, we would anticipate incurring these costs annually starting this year.

Annual Consulting Fees (including IT compliance review)	\$ 67,500
Independent Auditor Fees – SOX Audit and Internal Testing	30,000
Management and Staff Time	<u>63,000</u>
Total Annual Costs (Only 404 Costs)	<u>\$ 160,500</u>

This results in a total estimated cost savings of approximately \$250,000 annually based on current costs for our periodic and annual reporting, as well as costs related to compliance with SOX.

- We expect to continue to provide our shareholders with Bank financial information by disseminating our annual reports, but, as noted above, the costs associated with these reports are substantially less than those we incur currently;
- In our Board of Directors' judgment, little or no justification exists for the continuing direct and indirect costs of registration under the Exchange Act, given the low trading volume in our common stock and that we do not expect to raise capital in the public market in the near future. If it becomes necessary to raise additional capital, we believe that there are adequate sources of additional capital available, although we recognize that there can be no assurance that we will be able to raise additional capital when required, or that the cost of additional capital will be attractive;

- Operating as a non-reporting company will reduce the burden on our management that arises from the increasingly stringent Exchange Act reporting requirements, thus allowing management to focus more of its attention on our customers and the community in which we operate; and
- The Reclassification proposal allows those shareholders receiving shares of Class A Preferred Stock or Class B Preferred Stock to still retain an equity interest in Community National Bank and therefore participate at the same value per share as holders of common stock in the event of any sale of Community National Bank.

We considered that some shareholders may prefer that we continue as a reporting company under the National Bank Act and the Exchange Act, which is a factor weighing against the Reclassification. However, we believe that the disadvantages of remaining a public company subject to the registration and reporting requirements of the National Bank Act and the Exchange Act outweigh any advantages. Since de-listing our stock with NASDAQ in 2008, shares of our common stock are traded on the Over the Counter Bulletin Board (OTCBB) and the Pink Sheets. Also, we have no present intention to raise capital through sales of securities in a public offering in the future or to acquire other business entities using stock as the consideration for such acquisition. Accordingly, we are not likely to make use of any advantage that our status as a reporting company under the National Bank Act and the Exchange Act may offer.

In view of the wide variety of factors considered in connection with its evaluation of the Reclassification, our Board of Directors did not find it practicable to, and did not quantify or otherwise attempt to assign relative weights to the specific factors it considered in reaching its determinations.

The Reclassification, if completed, will have different effects on the holders of common stock and those receiving shares of Class A Preferred Stock or Class B Preferred Stock. You also should read “- Our Position as to the Fairness of the Reclassification” beginning on page 25 and “- Effects of the Reclassification on Shareholders of Community National Bank” beginning on page 33 for more information regarding the effects of the Reclassification.

We considered various alternative transactions to accomplish the proposed transaction, including a tender offer, a reverse stock split, and a merger whereby shareholders owning less than a certain number of shares would be “cashed out.” Ultimately, however, the Board elected to proceed with the Reclassification because the alternatives would be more costly, might not have reduced the number of shareholders below 300 and would not allow all shareholders to retain an equity interest in Community National Bank. Our Board believes that by implementing a “going private” transaction, our management will be better positioned to focus its attention on our customers and the communities in which we operate, and we will reduce our expenses. See “- Purpose and Structure of the Reclassification” on page 32 for further information as to why this Reclassification structure was chosen.

In making our decision to proceed with the Reclassification, we considered other alternatives. We rejected these alternatives because we believed the Reclassification would be the simplest and most cost-effective manner in which to achieve the purposes described above. These alternatives included:

Cash-Out Merger without Share Reclassification. The Board considered the reorganization of the Bank through a merger with a new corporation formed solely to effect a reorganization. In a cash-out merger, shareholders owning fewer than 1,000 shares of our common stock would receive cash in exchange for their shares and all other shares of our common stock would have remained outstanding. Accordingly, a cash-out merger would not offer all shareholders an opportunity to retain an equity interest in us, and, as such, they would be unable to participate in future growth and earnings of the Bank, or to benefit from any future value received as a result of the sale of the Bank. While shareholders could consolidate their accounts or acquire sufficient shares to meet or exceed the 1,000-share threshold in order to retain an equity interest in the Bank, the Board preferred to structure a transaction that would allow shareholders to retain an equity interest without being required to pay for additional shares or consolidate their holdings in a way that might not otherwise be advantageous for them. Additionally, the receipt of cash in exchange for shares of common stock would generally result in a negative tax consequence for those shareholders receiving cash. Assuming that all of the 139,299 shares held of record by shareholders owning fewer than 1,000 shares as of December 31, 2009 were exchanged for \$3.00 in cash (the highest known share purchase price in the fourth quarter), the capital cost of the transaction would be approximately \$418 thousand. In light of the significant anticipated capital cost and

the elimination of the opportunity for all shareholders to retain an equity interest, the Board rejected this alternative.

Cash-Out Merger with Share Reclassification. The Board also considered a share reclassification transaction in which some of our shareholders would retain their common stock, some would receive shares of a newly created series of preferred stock, and some would receive cash in exchange for their shares. In such a cash-out merger, shareholders owning fewer than 200 shares of our common stock would receive cash in exchange for their shares, shareholders owning between 200 and 999 shares of our common stock would have received shares of a newly created series of preferred stock with voting and dividend rights that would have distinguished it from our common stock, and all other shares of our common stock would have remained outstanding. Like a cash-out merger without a share reclassification, such a cash-out merger would not offer all shareholders an opportunity to retain an equity interest in us, to participate in future growth and earnings of the Bank, or to benefit from any future value received as a result of the sale of the Bank. While shareholders could consolidate their accounts or acquire sufficient shares to meet or exceed the 200-share threshold in order to retain an equity interest in the Bank, the Board preferred to structure a transaction that would allow shareholders to retain an equity interest without being required to pay for additional shares or consolidate their holdings in a way that might not otherwise be advantageous for them. Additionally, the receipt of cash in exchange for shares of common stock would generally result in a negative tax consequence for those shareholders receiving cash. Assuming that all of the 21,890 shares held of record by shareholders owning fewer than 200 shares as of December 31, 2009 were exchanged for \$3.00 in cash (the highest known share purchase price in the first quarter of 2010), the capital cost of the transaction would be approximately \$66 thousand. In light of the significant anticipated capital cost and the elimination of the opportunity for all shareholders to retain an equity interest, the Board rejected this alternative.

Reverse Stock Split. The Board considered declaring a reverse stock split at a ratio of 1-for-1,000, with cash payments to shareholders who would hold less than one share on a post-split basis. This alternative would also have the effect of reducing the number of shareholders, but would require us either to account for outstanding fractional shares after the transaction, engage in a forward stock split at the reverse split ratio, or pay cash to shareholders holding any resulting fractional shares. Like the cash-out merger described above, a reverse stock split would not have offered all shareholders an opportunity to retain an equity interest in our company. As a result, a reverse stock split was rejected for the same reasons as the cash-out merger alternative.

Issuer Tender Offer. We also considered an issuer tender offer to repurchase shares of our outstanding common stock. The results of an issuer tender offer would be unpredictable, however, due to its voluntary nature. We were uncertain as to whether this alternative would result in shares being tendered by a sufficient number of shareholders so as to result in our common stock being held by fewer than 300 shareholders of record. As a result, we also rejected this alternative.

Expense Reductions in Other Areas. While we might be able to offset the expenses relating to registration under the Exchange Act by reducing expenses in other areas, we have not pursued such an alternative because there are no areas in which we could achieve comparable savings without adversely affecting a vital part of our business or impeding our opportunity to grow. Our most significant area of potential savings would involve personnel costs, and we are already thinly staffed. We believe the expense savings a reclassification would enable us to accomplish will not adversely affect our ability to execute our business plan, but will instead position us to execute it more efficiently. For these reasons, we did not analyze cost reductions in other areas as an alternative to the Reclassification.

Business Combination. We have neither sought nor received any proposals from third parties for any business combination transactions such as a merger, consolidation, or sale of all or substantially all of our assets. Our Board did not seek any such proposals because these types of transactions are inconsistent with the narrower purpose of the proposed transaction, which is to discontinue our reporting obligations under the National Bank Act and the Exchange Act. The Board believes that by implementing a deregistration transaction, our management will be better positioned to focus its attention on our customers and the communities in which we operate and expenses will be reduced.

Maintaining the Status Quo. The Board considered maintaining the status quo. In that case, we would continue to incur the significant expenses, as outlined in “—Reasons for the Reclassification; Fairness of the Reclassification; Board Recommendation” beginning on page 22, of being a reporting company under the National Bank Act and the Exchange Act without the expected commensurate benefits. Thus, the Board considered maintaining the status quo not to be in the best interests of the Bank or its unaffiliated shareholders.

Our Position as to the Fairness of the Reclassification

Based on a careful review of the facts and circumstances relating to the Reclassification, our Board of Directors and our executive officers believe that the “going private” transaction, including all the terms and provisions of the Reclassification, are substantively and procedurally fair to all unaffiliated shareholders as a whole, as well as each group of our unaffiliated shareholders, specifically our unaffiliated shareholders who will retain their shares of common stock, our unaffiliated shareholders who will receive shares of our Class A Preferred Stock and our unaffiliated shareholders who will receive shares of our Class B Preferred Stock. Our Board of Directors, including our independent directors, unanimously approved the Reclassification and has recommended that our shareholders vote “For” the Reclassification.

Substantive Fairness

In concluding that the terms and conditions of the Amendment to our Articles of Association and the Reclassification are substantively fair to unaffiliated shareholders, our Board of Directors considered a number of factors. In its consideration of both the procedural and substantive fairness of the transaction, our Board considered the potential effect of the transaction as it relates to all shareholders generally, to shareholders receiving Class A Preferred Stock or Class B Preferred Stock and to shareholders continuing to own shares of common stock. See “- Effects of the Reclassification on Shareholders of Community National Bank” beginning on page 35.

The factors that our Board of Directors considered positive for all shareholders, including both those that will continue to hold common stock as well as those will have their shares converted into Class A or Class B Preferred Stock, included the following:

- our common stock trades infrequently, with only 45 days of trading during 2009, involving only 124,700 shares, or approximately 6.59%, of our outstanding common stock, a volume that our Board felt did not provide our shareholders with sufficient opportunity to obtain cash for their shares easily;
- following the Reclassification, we expect that the common stock of the Bank will continue to be traded on the Pink Sheets and the Over the Counter Bulletin Board (OTCBB). In addition, following the Reclassification, shares of the Class A Preferred Stock and the Class B Preferred Stock will also be eligible for trading on the Pink Sheets and/or OTCBB if there is sufficient market interest. Consequently, we believe that the Reclassification will have little practical effect on trading.
- our smaller shareholders who prefer to remain as holders of common stock of the Bank, may elect to do so by acquiring sufficient shares so that they hold at least 1,000 shares of common stock in their own names immediately prior to the Reclassification, or may seek to transfer their shares into “street name” with a broker that would own at least 1,000 shares of common stock;
- beneficial owners who hold their shares in “street name,” who would receive shares of Class A or Class B Preferred Stock if they were record owners instead of beneficial owners, and who wish to receive shares of Class A or Class B Preferred Stock as if they were record owners instead of beneficial owners, can work with their broker or nominee to transfer their shares into a record account in their own name so that they receive shares of Class A Preferred Stock or Class B Preferred Stock;
- shareholders would have the opportunity to liquidate their shares of common stock through the exercise of dissenters’ rights;

- shareholders receive limited benefit from our being a reporting company under the National Bank Act and the Exchange Act because of our small size, the lack of analyst coverage and the very limited trading of our common stock compared to the costs associated with the disclosure and procedural requirements of Sarbanes-Oxley Act, in addition to the legal, accounting and administrative costs in being a public company; accordingly we believe that the costs to our shareholders of being a public company are not commensurate with the benefits to our shareholders of being a public company;
- notwithstanding that the Bank will suspend its reporting obligations under the National Bank Act and the Exchange Act, the Bank will remain subject to both internal and external audit controls, as well as supervision by various regulatory agencies, with the Bank still required to report a significant amount of financial information publicly through the filing of quarterly call reports with the OCC;
- the Reclassification should not result in a taxable event for any of the shareholders; and
- all shareholders will realize the potential benefits of termination of registration of our common stock, including reduced expenses of approximately \$90,000 per year as a result of no longer needing to comply with the reporting requirements of the National Bank Act and the Exchange Act.

In addition to the positive factors applicable to all of our shareholders set forth above, the factors that our Board of Directors considered positive for those shareholders receiving Class A Preferred Stock or Class B Preferred Stock included:

- they would continue to have an equity interest in Community National Bank and therefore participate in any future value received as a result of any sale of the Bank at the same value per share as holders of common stock;
- the holders would receive a premium in the payment of any dividends by the Bank, and, in the unlikely event of the liquidation or dissolution of the Bank, before any payment is made to the holders of the common stock, the holders of the Class A Preferred Stock and the Class B Preferred Stock would be entitled to be paid in full (on a per share basis); and
- no brokerage or other transaction costs are to be incurred by them in connection with the reclassification of their shares of common stock into Class A Preferred Stock or Class B Preferred Stock.

Our Board considered each of the foregoing factors to weigh in favor of the substantive fairness of the Reclassification to all of our shareholders, whether they are shareholders continuing to hold common stock or shareholders having their shares of common stock converted into Class A Preferred Stock or Class B Preferred Stock.

Our Board is aware of, and has considered, the impact of certain adverse factors on the substantive fairness of the Reclassification to our shareholders receiving Class A Preferred Stock or Class B Preferred Stock. In particular, the factors that our Board of Directors considered as potentially negative for those shareholders receiving Class A Preferred Stock or Class B Preferred Stock included:

- they will be required to surrender their shares involuntarily in exchange for the Class A Preferred Stock or Class B Preferred Stock, although they will still have the opportunity to participate in any future growth and earnings of the Bank; and
- they will lose voting rights except in certain limited situations, which loss may result in making the shares of Class A Preferred Stock or Class B Preferred Stock less valuable; although the Board considered the potential loss in value, and took into account the fact that the premium on the dividends for the Class A Preferred Stock and Class B Preferred Stock may have the benefit of making this stock more valuable than the common.

The factors that our Board of Directors considered as potentially negative for all shareholders included:

- following the Reclassification, you will continue to have limited ability to transfer your shares of our common stock, Class A Preferred Stock and Class B Preferred Stock because our shares will be tradable only in privately-negotiated transactions, although based on the historically low trading volume for the common stock, and the fact that the stock has never been listed on any exchange, this will not vary from the current situation and is expected to have limited impact;
- you will have reduced access to our financial information once we are no longer a reporting company under the National Bank Act and the Exchange Act, although we do intend to continue to provide all shareholders with our annual reports and periodic information (e.g., shareholder letters that would include information updating our financial performance and any other news affecting the Bank, such as new offices, acquisitions, economic updates or new product offerings);
- you will lose certain statutory safeguards since we will no longer be subject to the requirements of the Sarbanes-Oxley Act, which require our CEO & CFO to certify as to our financial statements and internal controls over financial reporting and as to the accuracy of our reports filed with the OCC; and
- you will lose certain protections currently provided under the Exchange Act, as amended, such as limitations on short-swing transactions by executive officers and directors under Section 16 of the Exchange Act.

Our Board of Directors believes that these adverse factors did not, individually or in the aggregate, outweigh the overall substantive fairness of the Reclassification to our shareholders and that the adverse factors are outweighed by the positive factors previously described.

Determination of Exchange Ratio

Our Board of Directors believes that the exchange of one share of common stock for one share of Class A Preferred Stock or one share of Class B Preferred Stock, depending on the number of shares of common stock held prior to the Reclassification, is fair to our unaffiliated shareholders.

While the Class A Preferred Stock and the Class B Preferred Stock both have limited voting rights, the Board determined that the value of the Class A Preferred Stock and the Class B Preferred Stock are equivalent to the value of the common stock because both classes of preferred stock have the right to equal participation with common stock in a change in control and both contain a dividend and liquidation preference to the common stock, notwithstanding that dividends on each of the classes of preferred stock are non-cumulative and payable at the discretion of the Board of Directors and liquidation of the Bank is unlikely for the foreseeable future. This determination was made based on the Board's review of the relative rights and preferences of each class of preferred stock as compared to the common stock, and no quantitative analysis of the value of Class A Preferred Stock, the Class B Preferred Stock or common stock was considered. Specifically, the Board weighed subjectively the collective advantages of the two classes of preferred stock—the existence and amounts of the respective dividends and, to a lesser extent, liquidation preferences—against the relative advantages of the common stock, such as unlimited voting rights and the resulting right to select the Bank's Board of Directors and thereby determine its strategic direction, and determined that those rights were in balance. It also weighed subjectively the relative disadvantages of the two classes of preferred stock and the common stock—the general lack of voting power in the case of the Class A Preferred Stock and the Class B Preferred Stock and the subordination in terms of rank, dividends and liquidation preference in the case of the common stock, and determined that the relative drawbacks were also in balance. Finally, it considered the benefits that would be shared by the classes, such as the voting and consideration payable upon a change in control, and the ability to benefit from the expense savings of the Reclassification and share in future growth of the Bank, and determined that these represented factors that would have the same immediate and long-term effect on the value of each class. As a result of these analyses, the Board determined that the advantages and disadvantages of the terms of the Class A Preferred Stock and the Class B Preferred Stock were in balance compared to those of our common stock and that a one-for-one exchange ratio between each class of preferred stock and the common stock was therefore appropriate.

The Board did not consider that holders of the Class A Preferred Stock and the Class B Preferred Stock who sold their stock subsequent to the Reclassification but prior to the declaration of a dividend on either Class A Preferred

Stock and the Class B Preferred Stock or the liquidation of the Bank or holders of the common stock that sold their shares subsequent to the Reclassification but prior to a matter being brought before the common shareholders for a vote may not directly realize the respective, relative benefits of the Class A Preferred Stock and the Class B Preferred Stock and the common stock following the Reclassification

Although the Class A Preferred Stock and the Class B Preferred Stock each have substantially different rights and preferences from our common stock, the Board believes that the value of each class of preferred stock is equivalent to our common stock. Although the Class A Preferred Stock and the Class B Preferred Stock are generally nonvoting, each will enjoy a preference on dividends relative to the common stock when and if declared by the Board of Directors in its discretion. The Board determined subjectively and in its business judgment based on its discretionary view of the matter, that the decrease in value based on the nonvoting nature of the Class A Preferred Stock and the Class B Preferred Stock is balanced by an increase in value attributable to the potential for increased dividend flow. The liquidation preference of each class of our preferred stock relative to our common stock, while an advantage for the holders of our Class A Preferred Stock and the Class B Preferred Stock, is not as significant in the banking industry as it is in others, as banks generally liquidate only following being taken into receivership by the FDIC, and generally lack assets to distribute to equity holders under such circumstances. The Board does not expect the Bank to be liquidated in the foreseeable future. The Board therefore gave the liquidation preference of each class of preferred stock less weight than the other factors it considered in determining the relative balance of the value of the preferred stock versus the common stock. Because the Board believes the value of the Class A Preferred Stock and the Class B Preferred Stock are each equivalent to the value of the common stock, the actual cash value of the shares in each class is immaterial to the determination of the fairness of the Reclassification because those values would be the same. Additionally, an appraisal of the two classes of preferred stock was not necessary for tax purposes because the Bank determined that the Reclassification should not be taxable to shareholders receiving Class A Preferred Stock and the Class B Preferred Stock or to shareholders retaining common stock. As a result, the Board decided not to seek an independent valuation or appraisal of either Class A Preferred Stock and the Class B Preferred Stock or the common stock from a financial advisor.

In reaching its conclusion that the Reclassification is substantively fair to our unaffiliated shareholders who will receive Class A Preferred Stock or the Class B Preferred Stock and who will retain their shares of common stock, the Board did not consider the current or historical market price of our common stock, repurchase prices we paid for our common stock (which are shown in “INFORMATION ABOUT COMMUNITY NATIONAL BANK—Recent Affiliate Transactions in Community National Bank Stock” and “—Market for Our Common Equity and Related Matters”), our net book value (\$6.57 per share at December 31, 2009), our going concern value, or the liquidation value of our assets to be material because shareholders are not being “cashed out” in connection with the Reclassification. Shareholders receiving Class A Preferred Stock or Class B Preferred Stock will continue to hold an equity interest in the Bank and will participate equally with the holders of common stock on the sale or a change in control of the Bank. Additionally, the Board determined that the overall terms of the Class A Preferred Stock and the Class B Preferred Stock were fair to all of our unaffiliated shareholders. In the Board’s opinion, the qualitative advantages and disadvantages of the terms of the Class A Preferred Stock and the Class B Preferred Stock, when compared to the rights and preferences attributable to the common stock, are balanced. Therefore, the Board determined no quantitative analysis, such as a review of the current, historical or repurchase prices of our common stock, our net book value or going concern value, or the liquidation value of our assets, was necessary and did not undertake a quantitative analysis. For the same reasons, the Board also did not request or receive any reports, opinions or appraisals from any outside party relating to the value of each of the Class A Preferred Stock and the Class B Preferred Stock. There have not been any firm offers to acquire the Bank.

Moreover, with respect to the current and historical market prices of our common stock, there is a limited market for our common stock. Accordingly, because of the limited market price information for the Board to consider, it did not consider any repurchases by the Bank over the past two years or any report, opinion or appraisal, or firm offers by unaffiliated parties within the past two years.

The Board is not aware of any material contracts, negotiations or transactions, other than in conjunction with the Reclassification as described in “—Background of the Reclassification” on page 20, or as otherwise disclosed in the reports filed by the Bank under the Exchange Act, during the preceding two years for (1) the merger or consolidation of Community National Bank into or with another person or entity; (2) the sale or other transfer of all or any substantial

part of the assets of Community National Bank; (3) a tender offer for any outstanding shares of Community National Bank common stock; or (4) the election of directors to our Board.

Procedural Fairness

We believe that the Reclassification is procedurally fair to all of our shareholders. In concluding that the Reclassification, including the Class A Preferred Stock or Class B Preferred Stock to be received by holders of common stock, is procedurally fair to our shareholders, our Board of Directors considered a number of factors. The factors that our Board of Directors considered positive for all shareholders, included the following:

- the Reclassification is being effected in accordance with all applicable requirements of federal and Tennessee law;
- management and our Board considered alternative methods of effecting a transaction that would result in our becoming a non-reporting company, each of which was determined to be impractical, more expensive than the Reclassification, involving a cash-out of certain of our shareholders, or potentially ineffective in achieving the goals of allowing shareholders to retain an equity ownership in the Bank while at the same time, eliminating the costs and burdens of public company status;
- our shareholders will have the opportunity to exercise dissenters' rights under federal and Tennessee law to the extent that they do not believe that the 1:1 exchange ratio of their shares of common stock into Class A Preferred Stock or Class B Preferred Stock is acceptable or fair to them; and
- shareholders will have the opportunity to determine whether or not they will remain shareholders owning common stock, or shares of Class A Preferred Stock or Class B Preferred Stock after the Reclassification by acquiring sufficient shares so that they hold at least 1,000 shares of common stock immediately prior to the Reclassification or disposing or subdividing sufficient shares so that they hold less than 1,000 shares of common stock immediately prior to the Reclassification, so long as they act sufficiently in advance of the Reclassification so that the sale or purchase is reflected in our shareholder records by the close of business (local time) on June 28, 2010, the expected effective date of the Reclassification, although due to the limited market for our common stock, shareholders may have difficulty in acquiring shares.

Our Board of Directors considered each of the foregoing factors to weigh in favor of the procedural fairness of the Reclassification to all of our shareholders, whether they are receiving shares of Class A Preferred Stock or Class B Preferred Stock or will continue to hold shares of common stock.

The Board is aware of, and has considered, the impact of other factors which could adversely affect both shareholders receiving Class A Preferred Stock or Class B Preferred Stock as well as those continuing to own common stock, on the procedural fairness of the Reclassification:

- although members of the Board have a potential conflict of interest since they will primarily retain shares of common stock based on current ownership, neither the full Board nor any of the independent directors retained an independent, unaffiliated representative to act solely on behalf of the shareholders receiving shares of Class A Preferred Stock or Class B Preferred Stock for the purpose of negotiating the terms of the Reclassification;
- we did not receive a report, opinion, or appraisal from an outside party as to the value of our common stock or Class A Preferred Stock or Class B Preferred Stock, the fairness of the transaction to those shareholders receiving shares of Class A Preferred Stock or Class B Preferred Stock, or the fairness of the transaction to the Bank.

Our Board of Directors believes that the foregoing adverse factors do not, individually or in the aggregate, outweigh the overall procedural fairness of the Reclassification to our shareholders, whether receiving shares of Class A Preferred Stock or Class B Preferred Stock or continuing to own shares of common stock, and the foregoing factors are outweighed by the procedural safeguards previously described. In particular, the Board felt that the consideration of the

transaction by the full Board, whose sole conflict of interest is a relatively insignificant increase in aggregate share ownership of common stock following the Reclassification (equaling an increase of 1.78%, from 22.42% to 24.20%, in total share ownership for all directors and executive officers, inclusive of their exercisable options) and who will be treated identically to other shareholders in the Reclassification, was a sufficient procedural safeguard that made it unnecessary to retain an independent fairness advisor.

In addition, with respect to the determination not to seek a valuation, our Board felt that the fact that shareholders receiving Class A Preferred Stock or Class B Preferred Stock would continue to retain an equity interest in the Bank and also would receive premiums to holders of common stock in any payment of dividends by the Bank, presented sufficient protection in value to such shareholders. However, no assurances can be given that any dividend will be declared or, if declared, what the amount of such dividend would be or whether such dividends would continue in future periods.

Approval of the Reclassification by a majority of the unaffiliated shareholders is not required. Our Board of Directors believes that such a provision is unnecessary in light of the facts that: (i) the provisions of the Reclassification apply regardless of whether a shareholder is an affiliate, and shareholders will receive either Class A Preferred Stock or Class B Preferred Stock, or will retain their common stock, based on the number of shares owned and regardless of whether they are affiliated or unaffiliated shareholders; and (ii) although our affiliated shareholders beneficially own 22.42% of the outstanding stock, approval of the Reclassification will require two-thirds of the outstanding shares eligible to vote in favor of the Reclassification in order to effect it and, therefore, the affiliated shareholders do not solely control the outcome of the vote on the Reclassification. Our Board of Directors also determined that the other safeguards regarding the procedural fairness of the transaction as described above supported its decision not to require separate approval of the Reclassification by the unaffiliated shareholders.

The Board also considered whether there is any impact on the value of the Class A Preferred Stock and Class B Preferred Stock as compared to the common stock due to the limited voting rights held by the Class A Preferred Stock and Class B Preferred Stock. The Board determined the difference in voting rights was generally offset by the preferred dividend rights. Moreover, the Board determined that the difference in voting rights was not material since the holders of common stock whose shares would be converted into Class A Preferred Stock or Class B Preferred Stock in the transaction currently own a minority of our shares, or approximately 7.36% of the outstanding shares of common stock and voting rights. Conversely, the holders of the outstanding shares of common stock whose shares will be continued after the transaction currently own shares representing approximately 92.64% of the outstanding voting rights, and will continue to control the vote of the Bank after the Reclassification.

Therefore, we believe that the Reclassification is substantively and procedurally fair to all shareholders. In reaching this determination, we have not assigned specific weights to particular factors, but have considered all factors as a whole. None of the factors that we considered led us to believe that the Reclassification is unfair to any of our shareholders.

We have not made any provision in connection with the Reclassification to grant you access to our corporate files or to obtain appraisal services at our expense. With respect to access to our corporate files, under Section 48-26-102 of the Tennessee Business Corporation Act, shareholders of a corporation are entitled to inspect and copy, during regular business hours, records of the Bank that are required to be kept at the Bank's principal office which include: (1) current Articles of Association; (2) current bylaws; (3) resolutions relating to the rights and preferences of the outstanding stock of the Bank; (4) minutes of shareholder meetings and records of all actions taken without a meeting for the past three years; (5) all written communications to shareholders over the last three years; (6) names and business addresses of the Bank's officers and directors; and (7) the most recent annual report delivered to the OCC. The shareholder must give the Bank written notice at least five business days in advance of any inspection. In addition, a shareholder may inspect the following records only if (1) the shareholder's demand to see such records is made in good faith and for a proper purpose, (2) that purpose is described with reasonable specificity, (3) the records inspected are directly connected to that purpose and (4) the shareholder gives the Bank written notice at least five business days beforehand. Records eligible for inspection are excerpts of any meeting of the Board of Directors, records of any action of a Board committee, records of any action taken without a meeting, accounting records and the record of shareholders. Under the National Bank Act (12 U.S.C. § 62), the Bank is required to make available to shareholders at our main office, upon their request, a full and correct list of the names and residences of all the shareholders of the Bank, and the number of shares held by each. In light of the extensive access shareholders are given to the Bank's records under the

TBCA and the National Bank Act, the Board believed these statutory safeguards adequately protect shareholders ability to access information on the Bank. Furthermore, our Board determined that this Proxy Statement, together with our other filings made under the Exchange Act, and shareholders' ability to access our corporate records under Tennessee law and the National Bank Act, as described above, provide you with adequate information. With respect to obtaining appraisal services at our expense, except in the circumstance of a shareholder exercising statutory dissenters' rights, the Board did not consider these actions necessary or customary.

Determination of Fairness by Community National Bank Affiliates

Our affiliates consist of our directors and executive officers, and holders of a significant portion of our common stock:

Steven J. Adams	Ronald D. Ailey
Jerry C. Cranford	Uriel Edde, Jr.
Samuel F. Grigsby, Jr.	Charles A. Hughes
Darwin K. Kilday	Claude Leroy Royston
Thomas D. Rush, Jr.	M. Edward Stiner, Jr.
Eric N. Ward	Donald Watson

For each of our affiliates, their purpose and reasons for engaging in the Reclassification, alternatives considered and analyses regarding substantive and procedural fairness of the Reclassification to unaffiliated shareholders receiving either Class A Preferred Stock or Class B Preferred Stock in the Reclassification and to those retaining their shares of common stock were the same as those of the Board of Directors, and each of these affiliates adopted the analyses of the Board of Directors with respect to these issues. Based on these factors and analyses, each of our affiliates has concluded that the Reclassification is procedurally and substantively fair to our unaffiliated shareholders who will receive either Class A Preferred Stock or Class B Preferred Stock and to our unaffiliated shareholders who will retain their shares of common stock. See, “– Our Position as to the Fairness of the Reclassification – Substantive Fairness,” beginning on page 26, and “– Procedural Fairness,” beginning on page 29 for a description of the analyses of the Board of Directors as to these issues.

Our affiliates are deemed to be “filing persons” for purposes of this transaction. The business address and telephone number of each filing person listed on the cover of this Schedule is c/o Community National Bank of the Lakeway Area, 225 West First North Street, Morristown, Tennessee 37814, telephone (423) 587-2345. Each filing person is a citizen of the United States and is a director of the Bank. Samuel F. Grigsby, Jr. is also the Chairman and Chief Executive Officer of the Bank, Charles A. Hughes is also the President of the Bank, Darwin K. Kilday is also its Executive Vice President and Chief Financial Officer, M. Edward Stiner, Jr. is its Regional President and Thomas D. Rush, Jr. is its Executive Vice President. For more information regarding the filing persons, see “PROPOSAL TWO – ELECTING DIRECTORS—Director Nominees,” and “PROPOSAL TWO – ELECTING DIRECTORS—Continuing Directors,” on pages 44-45. No filing person has been (i) convicted in a criminal proceeding (other than traffic violations or similar misdemeanors) or (ii) party to any judicial or administrative proceeding (other than matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws during the past five years.

Purpose and Structure of the Reclassification

The purposes of the Reclassification are to:

- reduce the number of holders of record of our common stock to under 300, which will suspend our reporting requirements under the National Bank Act and the Exchange Act, thereby achieving significant cost savings;

- allow all of our shareholders to retain an equity interest in the Bank; and
- allow our management to refocus time spent on reporting obligations under the National Bank Act and the Exchange Act to our business operations and growth.

For further background on the reasons for undertaking the Reclassification at this time, see “- Background of the Reclassification” beginning on page 20 and “- Reasons for the Reclassification; Fairness of the Reclassification; Board Recommendation” beginning on page 22.

Effects of the Reclassification on Community National Bank

The Reclassification will have various effects on Community National Bank, which are described below.

Effect of the Proposed Transaction on Our Outstanding Common Stock

Our Articles of Association currently authorizes the issuance of 4,000,000 shares of voting common stock. The number of authorized shares of common stock will remain unchanged after completion of the Reclassification. As of the record date, the number of outstanding shares of common stock was 1,891,426. Based upon our best estimates, if the Reclassification had been consummated as of the record date, and assuming no shareholders exercise dissenters’ rights, the number of outstanding shares of common stock will be reduced from 1,891,426 to approximately 1,752,127. The shares of common stock that will be reclassified as Class A Preferred Stock or Class B Preferred Stock will be retired and held as authorized but unissued common stock.

We have no current plans, arrangements or understandings to issue any common stock except as options may be exercised pursuant to our stock option plans. However, in the event that we later desire to issue additional shares of stock in order to raise capital or as part of an acquisition, the requirement to limit the number of holders of record could be impeded.

Effect of the Proposed Transaction on Our Class A Preferred Stock and Class B Preferred Stock

Our Articles of Association currently authorize us to issue up to 2,000,000 shares of preferred stock, the designation powers, preferences and relative rights of which are determined by an article of amendment to the Articles of Association approved solely by the Board of Directors. An amendment to our Articles of Association, which was approved by the Board of Directors on March 15, 2010, authorizes the issuance of up to 200,000 shares of Class A Preferred Stock and up to 100,000 shares of Class B Preferred Stock. The shares of Class A Preferred Stock or Class B Preferred Stock that will be issued in the Reclassification constitute two new and separate classes of preferred stock having those rights described in “- Terms of the Class A Preferred Stock” beginning on page 17, “- Terms of the Class B Preferred Stock” beginning on page 19, as well as in the attached Appendix A. Based on current estimates, after completion of the Reclassification, we will have approximately 117,409 shares of Class A Preferred Stock outstanding and 21,890 shares of Class B Preferred Stock outstanding. For additional information regarding our capital structure after the Reclassification, see “-- Description of Capital Stock” beginning on page 42. If approved by our shareholders, the Reclassification will be completed during the second or third quarter of 2010.

Termination of our Registration and Reporting Requirements under the National Bank Act and the Exchange Act

Upon the completion of the Reclassification, we expect that our common stock will be held by fewer than 300 record shareholders and each of the Class A and Class B Preferred Stock will be held by fewer than 500 record shareholders. Accordingly, our obligation to continue to file periodic reports with the OCC will be suspended pursuant to Rule 12g-4 and Rule 12h-3 of the Exchange Act. We will apply for suspension of our reporting obligations as soon as practicable following completion of the Reclassification. Following completion of the Reclassification, we intend to continue to provide our shareholders with financial information by continuing to disseminate our annual reports.

The suspension of the filing obligations will substantially reduce the information required to be furnished by us to our shareholders and to the OCC. We estimate that we will save approximately \$90,000 in annual and periodic

reporting costs on an annual basis. See “—Reasons for the Reclassification; Fairness of the Reclassification; Board Recommendation” beginning page 22 for a breakdown of these anticipated savings.

Effect on Trading of Common Stock

Following the Reclassification, we expect that the common stock of the Bank will continue to be traded on the Pink Sheets and the Over the Counter Bulletin Board (OTCBB). In addition, following the Reclassification, shares of the Class A Preferred Stock and the Class B Preferred Stock will also be eligible for trading on the Pink Sheets and/or OTCBB if there is sufficient market interest. Consequently, we believe that the Reclassification will have little practical effect on trading.

Other Financial Effects of the Reclassification

We expect that the professional fees and other expenses related to the Reclassification will be approximately \$119,000, much of which has been reflected in our 2009 results. We plan to pay these fees and expenses out of our existing working capital and do not expect that the payment of these expenses will have a material adverse effect on our capital adequacy, liquidity, results of operations or cash flow.

Effect on Outstanding Options

We currently have an option plan, the 2002 Stock Option Plan, under which our officers may purchase shares of our common stock. The Reclassification will not affect any outstanding options and each option, after the Reclassification, will continue to be exercisable for one share of common stock. There are currently outstanding options to purchase 123,250 shares of common stock under the 2002 Stock Option Plan at a weighted average strike price of \$13.50 per share, of which all are vested.

Effect on Conduct of Business after the Reclassification

We expect our business and operations to continue as they are currently being conducted and, except as disclosed below, the Reclassification is not anticipated to have any effect upon the conduct of our business.

Effect on Our Directors and Executive Officers

It is not anticipated that the Reclassification will have any effect on our directors and executive officers, other than with respect to their relative share ownership, and related changes in the book value and earnings per share associated with those shares. We expect that all of our directors and executive officers will hold more than 1,000 shares at the effective time of the Reclassification. As a result, they will continue to hold the same number of shares after the Reclassification. However, because the total outstanding shares of common stock will be reduced, this group will hold a larger relative percentage of the voting common stock of the company. As of the record date, these directors and executive officers beneficially held 424,143 shares collectively, or 22.42% of our common stock (including their exercisable options to purchase shares of common stock). Based upon our estimates, taking into account the effect of the Reclassification on our outstanding shares as described above, the directors and executive officers will beneficially hold 24.20% of our common stock collectively (including exercisable stock options).

In connection with the suspension of our reporting obligations under the National Bank Act and the Exchange Act, our directors and executive officers will no longer be subject to the reporting and short-swing profit rules of Section 16 of the Exchange Act, and thus may realize “short-swing” profits on purchase and sales of our securities that occur within a six-month period. Currently, under Section 16 of the Exchange Act, the Bank is entitled to receive any short-swing profits from the affiliate. In addition, information about our directors and executive officers compensation and stock ownership will no longer be publicly available. The suspension of our reporting obligation will also relieve our directors and executive officers from liability under Section 18 of the Exchange Act for any statements made by him or her in any our filings under the Exchange Act that, in light of the circumstances at the time the statement is made, is false or misleading with respect to any material fact.

Because our reporting obligations under the National Bank Act and the Exchange Act will be suspended, our executive officers and directors will be deprived of the ability to dispose of their shares of our common stock under Rule 144 of the Securities Act of 1933, which provides a “safe harbor” for resales of stock by affiliates of an issuer. As a result, they will need to resell their shares in a private transaction, which could result in a lower purchase price for the shares.

Because all shares issued in the Reclassification will be equivalent to common shares in the event of a liquidation or sale of the Bank, the Reclassification will not have a material effect on the value of our directors and executive officers’ interest in the Bank, in the Bank’s book value per common equivalent share or in the Bank’s diluted earnings per share.

Effects of the Reclassification on Shareholders of Community National Bank

The general effects of the Reclassification on the shareholders owning common stock and the shareholders who will own Class A Preferred Stock or Class B Preferred Stock are described below.

Effects of the Reclassification on Shareholders Receiving Class A Preferred Stock

The Reclassification will have both positive and negative effects on the shareholders receiving Class A Preferred Stock. Our Board of Directors considered each of the following effects in approving the Reclassification.

Positive Effects:

As a result of the Reclassification, the shareholders receiving Class A Preferred Stock will:

- be entitled to receive a dividend premium equal to 105% of any dividend paid on the common stock; and
- have dissenters’ rights in connection with the Reclassification. See “INFORMATION REGARDING THE ANNUAL MEETING OF SHAREHOLDERS – Dissenters’ Rights” beginning on page 11.

Negative Effects:

As a result of the Reclassification, the shareholders receiving Class A Preferred Stock will:

- have their voting rights limited to matters involving (i) a change in the rights and privileges of the Class A Preferred Stock; (ii) a merger, sale of all or substantially all of the assets of the Bank or transfer of shares that would involve a change in control of the Bank; or (iii) where otherwise required by law; this would effectively preclude holders of the Class A Preferred Stock from casting votes to elect directors in future years, and
- continue to hold shares that, like our shares of common stock, will not have any public trading market.

Effects of the Reclassification on Shareholders Receiving Class B Preferred Stock

The Reclassification will have both positive and negative effects on the shareholders receiving Class B Preferred Stock. Our Board of Directors considered each of the following effects in approving the Reclassification.

Positive Effects:

As a result of the Reclassification, the shareholders receiving Class B Preferred Stock will:

- be entitled to receive a dividend premium equal to the greater of 110% of any dividend paid on the shares of common stock; and

- have dissenters' rights in connection with the Reclassification. See "INFORMATION REGARDING THE ANNUAL MEETING OF SHAREHOLDERS – Dissenters' Rights" beginning on page 11.

Negative Effects:

As a result of the Reclassification, the shareholders receiving Class B Preferred Stock will:

- no longer have any voting control over the general affairs of the company and will be entitled to vote only on matters that would change the rights and privileges of the Class B Preferred Stock or in other limited circumstances where otherwise required by statute; this would effectively preclude holders of the Class B Preferred Stock from casting votes to elect directors in future years, and
- continue to hold shares that, like our shares of common stock, will not have any public trading market.

Effects of the Reclassification on the Common Shareholders

The Reclassification will have both positive and negative effects on the shareholders continuing to own common stock. Our Board of Directors considered each of the following effects in determining to approve the Reclassification.

Positive Effects:

As a result of the Reclassification, the shareholders retaining their common stock will:

- continue to exercise the sole voting control over the Bank;
- because the number of outstanding shares of common stock will be reduced, have a relative increase in voting power; and
- have dissenters' rights in connection with the Reclassification. See "INFORMATION REGARDING THE ANNUAL MEETING OF SHAREHOLDERS – Dissenters' Rights" beginning on page 11.

Negative Effect:

As a result of the Reclassification, the shareholders retaining their common stock will be subject to certain dividend preferences of the Class A Preferred Stock and Class B Preferred Stock.

Plans or Proposals

Other than as described in this Proxy Statement, neither we nor our management have any current plans or proposals to effect any extraordinary corporate transaction, such as a merger, reorganization or liquidation, to sell or transfer any material amount of our assets, to change our Board of Directors or management, to change materially our indebtedness or capitalization, or otherwise to effect any material change in our corporate structure or business. As stated throughout this Proxy Statement, we believe there are significant advantages in effecting the Reclassification and suspending our reporting obligations. Nevertheless, there is always a possibility that we may enter into such an arrangement or transaction in the future, including, but not limited to, entering into a merger or acquisition transaction, making a public or private offering of our shares of our capital stock or entering into any other arrangement or transaction we may deem appropriate. In this event, our shareholders may receive payment for their shares of our common stock, Class A Preferred Stock or Class B Preferred Stock in any such transaction lower than, equal to or in excess of the amount paid to those shareholders who exercise their dissenters' rights and receive the fair value of their shares in connection with the Reclassification.

Record and Beneficial Ownership of Common Stock

It is important that our shareholders understand how shares that are held by them in “street name” will be treated for purposes of the Reclassification described in this Proxy Statement. Shareholders who have transferred their shares of our common stock into a brokerage or custodial account are no longer shown on our shareholder records as the record holder of these shares. Instead, the brokerage firms or custodians typically hold all shares of our common stock that its clients have deposited with it through a single nominee; this is what is meant by “street name.” If that single nominee is the record shareholder for 1,000 or more shares, then the stock registered in that nominee’s name will be unaffected by the Reclassification. Because the Reclassification only affects record holders, it does not matter whether any of the underlying beneficial owners for whom that nominee acts own less than 1,000 or fewer shares. Upon completion of the Reclassification, these beneficial owners will continue to beneficially own the same number of shares of our common stock as they did prior to the Reclassification, even if the number of shares they own is less than 1,000. If you hold your shares in “street name,” you should talk to your broker, nominee or agent to determine how they expect the Reclassification to affect you. Because other “street name” holders who hold through your broker, agent or nominee may adjust their holdings prior to the Reclassification, you may have no way of knowing whether you will receive shares of Class A Preferred Stock or Class B Preferred Stock in the Reclassification until it is consummated. However, because we think it is likely that any brokerage firm or other nominee will hold more than 1,000 shares in any one account, we think it is likely that all “street name” holders will remain shareholders of common stock.

Shareholders who would prefer to remain as holders of common stock of Community National Bank, may elect to do so by acquiring sufficient shares such that they hold at least 1,000 shares in their own name immediately prior to the Reclassification, although this may be difficult based upon the limited market which currently exists for our common stock. In addition, beneficial owners who would receive shares of Class A Preferred Stock or Class B Preferred Stock if they were record owners instead of beneficial owners, and who wish to receive such shares of Class A Preferred Stock or Class B Preferred Stock from Community National Bank as a part of the Reclassification, should inquire of their broker or nominee as to the procedure and cost, if any, to transfer their shares into a record account into their own name. In either case, these shareholders will have to act far enough in advance of the Reclassification so that any consolidation, purchase or transfer is completed by the close of business (local time) on the day of the effective time.

Interests of Certain Persons in the Reclassification

Our executive officers and directors who are also shareholders will participate in the Reclassification in the same manner and to the same extent as all of the other shareholders. We anticipate that all of our directors and officers will own more than 1,000 shares of common stock, and will therefore continue as holders of common stock if the Reclassification is approved. In addition, because there will be fewer outstanding shares of common stock, these directors will own a larger relative percentage of the common stock on a post-reclassification basis. This represents a potential conflict of interest because our directors unanimously approved the Reclassification and are recommending that you approve it. Despite this potential conflict of interest, the Board believes the proposed Reclassification is fair to all of our shareholders for the reasons discussed in the Proxy Statement.

The fact that each director’s percentage voting ownership of our common stock will increase as a result of the Reclassification was not a consideration in the Board’s decision to approve the Reclassification or in determining the 1,000-share cutoff for retaining common stock. In this regard, the directors as a group will be treated exactly the same as other shareholders. In addition, the Board determined that any potential conflict of interest created by its members’ ownership of our stock is relatively insignificant. In addition, the increase in each director’s percentage voting ownership of our stock resulting from the Reclassification is expected to be insignificant. As a group, the percentage beneficial ownership of all directors and executive officers would increase from approximately 22.42% to approximately 24.20% after the Reclassification, which also is very unlikely to have a practical effect on their collective ability to control the Bank.

In addition, our Board of Directors recognized that holders of common stock who will receive Class A Preferred Stock or Class B Preferred Stock in the transaction may wish to remain voting shareholders of the Bank. However, the Board of Directors believes that such relative voting control is not material as compared to the potential value available to such shareholders by retaining an equity interest in the Bank through their ownership of Class A

Preferred Stock or Class B Preferred Stock. See “- Background of the Reclassification” beginning on page 20 and “- Reasons for the Reclassification; Fairness of the Reclassification; Board Recommendation” beginning on page 22.

None of our executive officers or directors who beneficially own in excess of an aggregate of 1,000 shares of common stock has indicated to us that he intends to sell some or all of his shares of our common stock during the period between the public announcement of the transaction and the effective date. In addition, none of these individuals has indicated his intention to divide shares among different record holders so that fewer than 1,000 shares are held in each account, so that the holders would receive shares of Class A Preferred Stock or Class B Preferred Stock in connection with the conversion of their common stock.

Financing of the Reclassification

We expect that the Reclassification will require approximately \$119,000 consisting of professional fees and other expenses payable by us related to the Reclassification, and much of this expense has been reflected in our 2009 results. See “PROPOSAL ONE: APPROVAL OF THE RECLASSIFICATION AMENDMENT - Fees and Expenses” beginning on page 17 for a breakdown of the expenses associated with the Reclassification. We intend to pay for the expenses of the Reclassification through cash-on-hand.

Federal Income Tax Consequences of the Reclassification

Presented below are the material federal income tax consequences of the Reclassification to: (1) shareholders (including any affiliated shareholders) who will receive Class A Preferred Stock or Class B Preferred Stock in the Reclassification, (2) shareholders (including any affiliated shareholders) who will retain shares of Community National Bank common stock after the Reclassification and (3) Community National Bank itself.

The discussion does not address all U.S. federal income tax considerations that may be relevant to certain shareholders in light of their particular circumstances. The discussion assumes that the Bank shareholders hold their shares of common stock as capital assets (generally for investment). In addition, the discussion does not address any foreign, state or local income tax consequences of the Reclassification. The following summary does not address all U.S. federal income tax considerations applicable to certain classes of shareholders, including:

- financial institutions;
- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect to mark-to-market;
- persons that hold Community National Bank common stock as part of a hedge, straddle or conversion transaction;
- persons who are considered foreign persons for U.S. federal income tax purposes;
- persons who acquired or acquire shares of Community National Bank common stock pursuant to the exercise of employee stock options or otherwise as compensation; and
- persons who do not hold their shares of Community National Bank common stock as a capital asset.

No ruling has been or will be obtained from the Internal Revenue Service (“IRS”) as to the tax consequences of the Reclassification. In addition, the IRS is not obligated to follow the tax consequences as described herein and may

conclude that different tax consequences apply to a shareholder with respect to the exchange of his or her stock in the Reclassification.

Accordingly, we recommend that shareholders consult their own tax advisors as to the specific tax consequences of the Reclassification, including applicable federal, foreign, state and local tax consequences to them of the Reclassification in light of their own particular circumstances.

Federal Income Tax Consequences to Shareholders Receiving Class A Preferred Stock and Class B Preferred Stock in the Reclassification. The Reclassification will be treated as a “recapitalization,” which is considered a “tax-free” reorganization for federal income tax purposes. Accordingly, a shareholder who receives either Class A Preferred Stock or Class B Preferred Stock in the Reclassification should not recognize any gain or loss. Further, the shareholder’s basis in either the Class A Preferred Stock or Class B Preferred Stock should be the same as such shareholder’s basis in his or her common stock surrendered in the Reclassification and the period such shareholder is considered to have held either the Class A Preferred Stock or Class B Preferred Stock should include the period the shareholder held his Community National Bank common stock surrendered in the Reclassification.

Although the Reclassification will be treated as a “tax-free” reorganization and the exchange of the Class A Preferred Stock or Class B Preferred Stock for common stock should not result in the recognition of gain or loss, no assurance can be given that the IRS will agree and/or will not challenge such characterization for federal income tax purposes. While ordinarily the receipt of stock, such as both the Class A Preferred Stock and Class B Preferred Stock, in a transaction such as the Reclassification would not result in a taxable transaction for federal income tax purposes, certain types of stock, such as “nonqualified preferred stock” may not be exchanged “tax-free” in a reorganization.

The term “nonqualified preferred stock” is “preferred stock” in which (1) the holder of such stock has the right to require the issuer (or a related person) to redeem or purchase the stock within 20 years of the date of issue of such stock, (2) the issuer (or a related person) is required to redeem or purchase such stock within 20 years of the date of issue of such stock, (3) the issuer (or a related person) has the right to redeem or purchase the stock within 20 years of the date of issue of such stock and, as of the issue date of such stock, it is more likely than not that such right will be exercised, or (4) the dividend rate on such stock varies in whole or in part (directly or indirectly) with reference to interest rates, commodity prices, or similar indices. Further, “preferred stock” means stock which is limited and preferred as to dividends and does not participate in corporate growth to any significant extent. Stock shall not be treated as participating in corporate growth to any significant extent unless there is a real and meaningful likelihood of the shareholder actually participating in the earnings and growth of the corporation.

Neither the Class A Preferred Stock nor the Class B Preferred Stock should be considered to be “preferred stock” for federal income tax purposes (and therefore should not be considered “nonqualified preferred stock”) because each class of preferred stock is not limited as to dividends vis-à-vis the common stock and each is able to participate in corporate growth to the same extent as the common due to the fact that:

- the amount distributed with respect to a share of either the Class A Preferred Stock or the Class B Preferred Stock in the event of a liquidation cannot be less than the amount distributed with respect to one share of Community National Bank common stock; and
- both the Class A Preferred Stock and the Class B Preferred Stock automatically will convert on a share-for-share basis in the event of a transaction that results in a change in control of the Bank.

Nevertheless, if the IRS were to successfully contend that either the Class A Preferred Stock or the Class B Preferred Stock should be treated as “nonqualified preferred stock” for federal income tax purposes, the receipt of the Class A Preferred Stock or the Class B Preferred Stock would be treated the same as the receipt of cash in the Reclassification.

Federal Income Tax Consequences to Shareholders Who Do Not Receive Class A Preferred Stock or the Class B Preferred Stock in the Reclassification. Affiliated and unaffiliated shareholders who remain common shareholders following the Reclassification will not recognize gain or loss as a result of the Reclassification. The Reclassification

will not affect the adjusted tax basis or holding period of any shares of Community National Bank common stock that a shareholder continues to own after the Reclassification.

Federal Income Tax Consequences to Community National Bank. Community National Bank will not recognize gain or loss for U.S. federal income tax purposes as a result of the Reclassification.

Federal Income Tax Consequences to Shareholders Who Exercise Their Right to Dissent and Receive Cash for Their Community National Bank Common Stock. A holder of Community National Bank common stock who exercises his or her right to dissent and receive cash in exchange for his or her Community National Bank common stock generally will recognize capital gain or loss with respect to those shares equal to the difference between the amount of cash received and his or her basis in the Community National Bank common stock, so long as he or she no longer holds shares of Community National Bank common stock after the Reclassification. Generally, such gain or loss will be long-term capital gain or loss if the shares have been held by the shareholder for more than one year or short-term capital gain if the shareholder has held the Community National Bank common stock for one year or less. Long-term capital gain is generally subject to federal income taxation currently at a maximum rate of 15%, while short-term capital gain is taxed currently at ordinary income tax rates of up to 35% for federal income tax purposes. If the shareholder either actually or constructively owns shares of Community National Bank stock after the Reclassification, the full amount of cash amount received for the shares (without reduction for any basis in the shares of stock cancelled in the Reclassification) may be taxable to the shareholder as a dividend, instead of giving rise to long-term capital gain or loss, unless the shareholder satisfies one of the tests for redemption treatment contained in Section 302 of the Internal Revenue Code (“IRC”). Currently, dividend income also is subject to federal income taxation at a maximum rate of 15%. The redemption rules of IRC Section 302 and the IRC’s constructive ownership rules are, in part, fact specific as to a shareholder’s particular situation. Accordingly, shareholders who exercise their right to dissent and who continue to actually or constructively own shares of Community National Bank stock after the Reclassification should consult their tax advisers to determine whether they satisfy any of the redemption tests of IRC Section 302 after application of the constructive ownership rules. Any capital loss resulting from a shareholder’s exercising his or her right to dissent may be subject to limitation as to the amount of loss that may be deducted currently by the shareholder.

Section 306 Stock. Section 306 stock is defined as stock, other than common stock, received by a shareholder as a distribution on common stock or in a reorganization that has the potential of converting ordinary dividend income into capital gain without dilution of the shareholder’s underlying equity investment in the corporation. An example of Section 306 stock is stock issued as part of a distribution on common stock or in a reorganization that is classified as preferred stock for federal income tax purposes. As stated above in the discussion titled “*Federal Income Tax Consequences to Shareholders Receiving Class A Preferred Stock and Class B Preferred Stock in the Reclassification,*” we believe that, despite the inclusion of the word “preferred” in the name of the Class A and Class B stocks, neither the Class A Preferred Stock nor the Class B Preferred Stock should be considered “preferred” stock as that term is defined for federal income tax purposes (which means the each class of stock would be considered common stock for federal income tax purposes) because both the Class A Preferred Stock and the Class B Preferred Stock are entitled to dividends only when and at the same time as when dividends are declared and paid with respect to the common stock (although in slightly greater amounts to offset the loss of other rights with respect to their common stock such as certain voting rights), and the Class A Preferred Stock and the Class B Preferred Stock share equally with the common stock in the event of a sale or liquidation of the bank. Accordingly, we expect that the proceeds from a subsequent sale of the Class A Preferred Stock or the Class B Preferred Stock by a shareholder holding such stock will be treated as capital gain or loss so long as the shareholder holds such stock as a capital asset. However, the IRS could contend that the Class A Preferred Stock or the Class B Preferred Stock should be characterized as Section 306 stock as defined by the IRC, and in that case the proceeds from a subsequent sale of Class A Preferred Stock or Class B Preferred Stock, other than a sale in connection with a sale of control of the bank where the stock is converted to common stock, (i) will be treated as ordinary income (dividend income) to the extent that the fair market value of the stock sold, on the date distributed to the shareholder, would have been a dividend to such shareholder had the bank distributed cash in lieu of such stock; (ii) any excess of the amount received over the amount treated as ordinary income plus the cost basis of the stock will be treated as a capital gain; and (iii) no loss, if any, will be recognized. Under current tax law, if proceeds are treated as dividend income, such proceeds will be taxed at the same rates that apply to net capital gains (*i.e.*, 5% and 15%). The current tax law provision in which dividends are taxed at net capital gain rates will not apply for tax years beginning after December 31, 2010. Unless any intervening tax legislation is enacted, ordinary income tax rates will be applicable for dividend income beginning January 1, 2011.

Backup Withholding. Non-corporate shareholders of Community National Bank may be subject to backup withholding at a rate of 28% on cash payments received in the Reclassification. Backup withholding will not apply, however, to a shareholder who (1) furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding on the substitute Form W-9 included in the letter of transmittal sent by the Bank to collect stock certificates from shareholders who will be exchanging their shares of common stock for shares of Class A Preferred Stock or Class B Preferred Stock as part of the Reclassification, (2) who provides a certificate of foreign status on an appropriate Form W-8, or (3) who is otherwise exempt from backup withholding. A shareholder who fails to provide the correct taxpayer identification number on Form W-9 may be subject to a \$50 penalty imposed by the IRS.

The preceding discussion does not purport to be a complete analysis or discussion of all potential tax effects relevant to the Reclassification. Thus, shareholders are urged to consult their own tax advisors as to their specific tax consequences of the Reclassification, including tax return reporting requirements, the applicability and effect of foreign, federal, state, local and other applicable tax laws and the effect of any proposed changes in the tax laws.

Pro Forma Effect of the Reclassification

The following selected pro forma financial data illustrate the pro forma effect of the Reclassification on Community National Bank's statement of operations for the year ended December 31, 2009, and its balance sheet as of December 31, 2009 as if the Reclassification had been completed. Management has prepared this information based on its estimate that 139,299 shares of Community National Bank common stock will be reclassified into 117,409 shares of Class A Preferred Stock and 21,890 shares of Class B Preferred Stock in the Reclassification and that the transaction expenses related to the Reclassification will be \$119,000, with much of this cost having been reflected in our 2009 results. Please see "Pro Forma Consolidated Financial Information" for the complete pro forma financial information relating to this transaction.

<i>(in thousands, except per share data)</i>	As of and for the year ended December 31, 2009
Net interest income	\$3,678
Provision for loan losses	1,139
Other income	510
Other expense	5,744
Income (Loss) before income taxes	<u>(2,695)</u>
Income tax expense (benefit)	<u>(331)</u>
Net income (loss)	(2,364)
 PER COMMON SHARE	
Basic loss per share	\$(1.35)
Diluted loss per share	\$(1.35)
 AT PERIOD END	
Assets	\$124,827
Stockholders' equity	\$12,418
Common shares outstanding	1,752,127
Class A Preferred shares outstanding	117,409
Class B Preferred shares outstanding	21,890
Total shares outstanding	<u>1,891,426</u>
Book value per common equivalent share	\$6.57

DESCRIPTION OF CAPITAL STOCK

Common Stock

We currently have 4,000,000 shares of authorized voting common stock, \$1.00 par value per share. As of the record date, we had 740 registered shareholders of record and 1,891,426 shares of common stock outstanding. The outstanding shares of common stock are fully paid and nonassessable. The holders of our common stock have one vote per share in all proceedings in which action shall be taken by our shareholders.

Rights to dividends

As a national bank, the Bank is subject to the dividend restrictions set forth by the OCC. Under such restrictions, the bank may not, without the prior approval of the OCC, declare dividends in any one year in excess of the sum of the Bank's current year earnings plus undistributed Bank earnings from the prior two years. Further, OCC regulations prevent a national bank from paying dividends until it is cumulatively profitable. As a result, the Bank has not paid any dividends to shareholders to date. No assurance can be given that dividends will be declared by the Bank, or if declared, what the amount of the dividends will be or whether such dividends, once declared, would continue.

For additional information regarding the ability of the Bank to pay dividends and the regulatory and statutory limitations on that ability, please refer to "Market for Our Common Equity and Related Matters – Dividends" on page 58.

General voting requirements

The holders of our common stock have sole voting control over the Bank. Except for such greater voting requirements as may be required by law, the affirmative vote of the holders of a majority of the shares of common stock voting on a matter is required to approve any action for which shareholder approval is required. In the event the Class A or Class B Preferred Stock is entitled to vote, the common stock votes together with the Class A and/or Class B Preferred Stock.

Rights upon liquidation

In the event of our voluntary or involuntary liquidation or dissolution, or the winding-up of our affairs, our assets will be applied first to the payment, satisfaction and discharge of our existing debts and obligations, including the necessary expenses of dissolution or liquidation, and then pro rata to the holders of Class B Preferred Stock, the Class A Preferred Stock and then to the holders of our common stock.

Preferred Stock

Our Articles of Association currently authorize us to issue up to 2,000,000 shares of preferred stock, the designation of powers, preferences and relative rights of which will be determined by an article of amendment to the Articles of Association approved solely by the Board of Directors. On March 15, 2010, the Board of Directors approved an amendment to our Articles of Association that authorized (a) 200,000 shares of Class A Preferred Stock; and (b) 100,000 shares of Class B Preferred Stock. As part of the Annual Meeting, shareholders of common stock will vote on the Reclassification, which authorizes the reclassification of shares of common stock held by shareholders who own between 200 and 999 shares of common stock into shares of Class A Preferred Stock, and the reclassification of shares of common stock held by shareholders who own fewer than 200 shares of common stock into shares of Class B Preferred Stock. The Reclassification will be made on the basis of one share of Class A or Class B Preferred Stock for each share of common stock held.

As to the remaining authorized shares of Class A Preferred Stock and the Class B Preferred Stock which will not be issued in the Reclassification, our Board of Directors has the authority, without approval of our shareholders, from time to time to authorize the issuance of such stock for such consideration as our Board of Directors may

determine. Although our Board of Directors has no intention at the present time of doing so, it could cause the issuance of additional shares of Class A Preferred Stock or Class B Preferred Stock that could discourage an acquisition attempt or other transactions that some, or a majority of, the shareholders might believe to be in their best interests or in which the shareholders might receive a premium for their shares of common stock over the market price of such shares.

Provisions of Community National Bank's Articles of Association and Bylaws

The provisions of our Articles of Association may have the effect of protecting us from unwanted takeover bids because the Board of Directors is permitted by the Articles of Association to take into account in good faith all relevant factors in performing its duly authorized duties, and holders of certain series of our preferred stock may be able to block a proposed transaction as a result of class voting. Specifically, the Board of Directors not only may consider the effects of any action on Community National Bank but also may consider the interests of the employees, shareholders and other constituents of Community National Bank, the communities in which offices or other establishments of Community National Bank, and all other factors that our Board of Directors consider pertinent.

The provisions of Community National Bank's Articles of Association may also have the effect of protecting us from unwanted takeover bids because our Articles divide the Board of Directors into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the Board of Directors will be elected at each annual meeting of shareholders. The classification of Directors, together with other provisions in our Bylaws, described below, that limit the ability of shareholders to remove Directors and that permit the remaining Directors to fill any vacancies on the Board of Directors, have the effect of making it more difficult for shareholders to change the composition of the Board of Directors. As a result, generally it will take at least two annual meetings of shareholders to change a majority of the Directors.

Our Articles provide that our shareholders may remove one or more Directors by the affirmative vote of the Bank's shareholders; however, the director may not be removed if the number of votes sufficient to elect him or her under cumulative voting is voted against his or her removal. Our Bylaws also provide that any vacancies occurring on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office, or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office.

The provisions of our Articles of Association and our Bylaws, described above, to the extent applicable, will have the general effect of discouraging or rendering more difficult unfriendly takeover or acquisition attempts. Consequently, such provisions would be beneficial to current management in an unfriendly takeover attempt but could have an adverse effect on shareholders who might wish to participate in such a transaction. However, Community National Bank believes that such provisions are advantageous to the shareholders in that these provisions will permit management and the shareholders to carefully consider and understand a proposed acquisition, lead to higher offering prices, and require a higher level of shareholder participation in the decision if the transaction is not approved by our Board of Directors.

Vote Required to Approve the Reclassification

The Reclassification will not be effected unless approved by at least two-thirds of the shares outstanding and eligible to be cast on the Reclassification. As a result, abstentions, broker non-votes and unreturned proxies will be considered to be the same as votes against the Reclassification.

Recommendation of the Board of Directors

The Board recommends that you vote **FOR** Proposal One.

PROPOSAL TWO: ELECTING DIRECTORS

Director Nominees

The Bank’s Board of Directors consists of twelve 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.

Due to the resignation of two directors over the last two years, the current staggering of director terms is uneven, with there currently being five Class I Directors, four Class II Directors, and three Class III Directors. Under the Bank’s Articles of Association, in order to evenly stagger the directors’ terms, Mr. Edward Stiner, who was last elected to be a Class I Director in 2007, has been nominated for election as a Class III Director, and, as such, would serve a two-year term to expire in 2012. The other directors currently standing for election have been nominated to be Class I Directors, and would serve a three-year term to expire in 2013.

In case of a vacancy on the Board of Directors, the Board may fill the vacancy for the remainder of the director’s full term.

The following table shows for each Class I and Class III Director nominee currently standing for election: (1) his name; (2) his age at December 31, 2009; (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. It is on the basis of the accumulated experience and qualifications of each director described below that we believe each of the director nominees and continuing directors is well qualified to be a director of the Bank.

Class I Nominated Directors – For Three-Year Terms Expiring in 2013

<u>Name (Age)</u>	<u>Director Since</u>	<u>Positions and Business Information</u>
Samuel F. Grigsby, Jr. (56)	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. Mr. Grigsby possesses over 25 years of banking experience, much of which was spent working in our market area, which we believe adds to his understanding of the banking industry and insight into the Bank’s operations.
Charles A. Hughes (64)	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. Mr. Hughes possesses a 43-year banking career in which he has served in all capacities and functions for several other regional and community banks.
Darwin K. Kilday (55)	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. Mr. Kilday has been active in banking as a lender and as a financial officer for over two decades, with much of his career spent serving the Morristown and Jefferson City communities that are the Bank’s market area.
Steven J. Adams (62)	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.

Class III Nominated Director – For A Two-Year Term Expiring in 2012

Name (Age)	Director Since	Positions and Business Information
M. Edward Stiner, Jr. (55)	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. Mr. Stiner also serves as the Chair of the Jefferson County Industrial Board, which is active in economic and industrial development throughout the heart of the Bank’s market area.

Continuing Directors

The following two tables show for each director whose term has not yet expired: (1) his name; (2) his age at December 31, 2009; (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 director has been engaged in his present principal occupation for more than five years.

Class II Directors – Terms Expire in 2011

Name (Age)	Director Since	Positions and Business Information
Ronald D. Ailey (53)	2003	Mr. Ailey has been a co-owner of Burke-Ailey Construction, a commercial construction company that is active in our current market area, since 1986. In this capacity, Mr. Ailey is well-acquainted with the real estate market in our market footprint, which provides him with a unique perspective on the businesses of many of the borrowers we serve.
Uriel Edde, Jr. (80)	2003	Mr. Edde has been President of Edde Chevrolet, Inc., an automobile dealership located in our market area, since 1959. In his extensive experience in the automotive industry, Mr. Edde has managed a significant volume of credit decisions, including having sole responsibility for a portfolio of loans totaling more than \$1 million.
Thomas D. Rush, Jr. (44)	2007	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.
Eric N. Ward (51)	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 2012

<u>Name (Age)</u>	<u>Director Since</u>	<u>Positions and Business Information</u>
Jerry C. Cranford (65)	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. In these capacities, Mr. Cranford was responsible for the budgeting and financial reporting of these companies.
Claude Leroy Royston (63)	2003	Mr. Royston has been President of Royston Chrysler, Dodge, Jeep-Morristown, Tennessee, an automobile dealership, since 1991. In this capacity, Mr. Royston continues to be active in the economic development of our market area.
Donald K. Watson (66)	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
- Jerry C. Cranford
- Uriel Edde, Jr.
- Claude Leroy Royston
- 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 Mr. Stiner's ownership position 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 Mr. Stiner is 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.

Board Leadership Structure

Our Board is led by a Chairman selected by the Board from time to time. Presently, Mr. Grigsby, our CEO, is also Chairman of the Board. Seven of our twelve directors are independent pursuant to the independence standards of the Nasdaq Stock Market. The Board has determined that selecting our CEO as Chairman is in the Company's best interests because it promotes unity of vision for the leadership of the Bank and avoids potential conflict among directors. The Bank has not appointed a lead independent director. The Board is aware of the potential conflicts that may arise when an insider chairs the Board, but believes these are offset by existing safeguards that include the fact that management compensation is determined by a committee of independent directors, and the fact that our operations are subject to regular regulatory examination.

In addition, the Board has created several standing and ad hoc committees. These committees, including the Audit Committee, allow regular monitoring and deeper analysis of various matters. The committee structure also allows committees to be comprised exclusively of independent directors to address certain matters. The membership of

the committees is reviewed from time to time. Specific committee assignments are proposed by the Nominating Committee in consultation with the chair of each committee and with the consent of the member, and then submitted to the full Board for approval.

Our Board's Role in the Risk Management Process

The Board's role in the risk management process is to oversee and monitor the Bank's risk management processes. The Board outlines our risk principles and management framework, and sets high level strategy and risk tolerances, including the creations of internal controls and safeguards relating to interest rate risk, loan concentrations, loans to one borrower and customer security. Our risk profile is managed by members of our management team that report directly to Mr. Grigsby, our CEO.

Representatives of management meet routinely with designated Board oversight committees; for example, our Chief Financial Officer meets on a regular basis with our Audit Committee, and our senior lending officers regularly discuss matters with the full Board, which oversees and approves various credit decisions. In these ways, the full Board is able to monitor our risk profile and risk management activities on an on-going basis.

Board Meetings and Committees

The Board of Directors of the Bank held thirteen meetings during 2009. 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 2009 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 be invited to participate in committee meetings in an ex-officio capacity. The committee met one time in 2009. The Board of Directors has not adopted a formal charter for the committee, but it 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. Although the committee has not adopted a formal policy or process for identifying or evaluating nominees, it 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 when considering prospective directors. Once the committee has generated potential nominees, it then considers 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. Although the Nominating Committee does not have a policy with regard to the consideration of diversity in identifying director nominees, the committee does consider geographic diversity and diversity in business experience in identifying director nominees.

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 Exchange Act, 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.

The bylaws of the Bank contain 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.

Audit Committee. The Bank's Audit Committee is comprised of Steven J. Adams, Ronald D. Ailey, Jerry C. Cranford, 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 2009. The Board of Directors has determined that Jerry C. Cranford 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 "PROPOSAL THREE – RATIFYING AUDITORS - Audit Committee Matters" section on page 50 of this Proxy Statement.

Compensation Committee. The Bank's Compensation Committee is comprised of Jerry C. Cranford, Donald K. Watson 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 be invited to 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 did not meet in 2009 because the Board of Directors had elected to freeze salaries for all of 2009. 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.

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 2009, 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. Directors historically receive \$550 for each Board meeting attended and \$175 for each additional committee meeting attended. 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. Due to the current economic environment, all directors' fees were suspended indefinitely beginning in January of 2009.

2009 Director Compensation Table

The following table shows the total fees paid in 2009 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 (\$)	Non-Qualified Deferred Comp Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mr. Adams	-	-	-	-	-	-	-
Mr. Ailey	-	-	-	-	-	-	-
Mr. Cranford	-	-	-	-	-	-	-
Mr. Edde, Jr.	-	-	-	-	-	-	-
Mr. Kilday ⁽²⁾	-	-	-	-	-	-	-
Mr. Royston	-	-	-	-	-	-	-
Mr. Rush ⁽²⁾	-	-	-	-	-	-	-
Mr. Smith	-	-	-	-	-	-	-
Mr. Stiner, Jr. ⁽²⁾	-	-	-	-	-	-	-
Mr. Ward	-	-	-	-	-	-	-
Mr. Watson	-	-	-	-	-	-	-

⁽¹⁾ Messrs. Grigsby and Hughes are the Named Executive Officers of the Bank and their compensation as directors is reported in the "Executive Compensation" section on page 54 of this Proxy Statement.

⁽²⁾ Messrs. Kilday, Rush and Stiner 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, Rush and Stiner 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 four (4) nominees to serve as Class I Directors receiving the greatest number of votes will be elected. Similarly, the nominee to serve as a Class III Director receiving the greatest number of votes will also be elected. Abstentions and Broker Non-Votes will have no effect on the outcome of the vote with respect to this proposal.

Recommendation of the Board of Directors

The Board recommends that you vote **FOR** the election of Messrs. Grigsby, Hughes, Kilday and Adams as Class I Directors, and **FOR** the election of Mr. Stiner as a Class III Director.

PROPOSAL THREE: 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, 2010, 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 below.

A representative of Pershing Yoakley & Associates, P.C., is expected to be present at the 2010 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.

Audit Committee Report

The Audit Committee reports as follows with respect to the audit of the Bank's 2009 audited financial statements.

- The committee has reviewed and discussed the Bank's 2009 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 the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountant the independent accountant's independence from the Bank; and
- Based on review and discussions of the Bank's 2009 audited financial statements with management and discussions with the independent auditors, the Audit Committee recommended to the Board of Directors that the Bank's 2009 audited financial statements be included in the Bank's Annual Report on Form 10-K.

March 15, 2010

Jerry C. Cranford, Chairperson
Steven J. Adams
Ronald D. Ailey
Eric N. Ward

Audit Fees

The following table sets forth the fees billed to the Bank for the years ended December 31, 2009 and 2008 by Pershing Yoakley & Associates, P.C.:

	<u>2009</u>	<u>2008</u>
Audit fees ⁽¹⁾	\$43,000	\$ 42,000
Audit-related fees ⁽²⁾	10,500	14,050
Tax fees ⁽³⁾	8,000	7,800
All other fees ⁽⁴⁾		
Total Fees	<u>\$ 61,500</u>	<u>\$ 63,850</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-Q and annual filings on Form 10-K, 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 2009 and 2008, 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 2009, 100% of the fees incurred were pre-approved.

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.

Recommendation of the Board of Directors

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

PROPOSAL FOUR: TO AUTHORIZE MANAGEMENT TO ADJOURN THE MEETING IF NECESSARY

Overview of the Adjournment Proposal

If the number of shares of common stock present or represented at the meeting and voting in favor of the Reclassification is insufficient to approve the Reclassification, then Community National Bank's management may move to adjourn the meeting (the "Adjournment Proposal") in order to enable the Board to continue to solicit additional proxies in favor of the Reclassification. In that event, you will be asked only to vote upon the Adjournment Proposal but not the Reclassification.

In this Adjournment Proposal, the Board is asking you to authorize the holder of any proxy solicited by the Board to vote in favor of adjourning the meeting and any later adjournment under the circumstances described above. If the shareholders approve this Adjournment Proposal, then management could adjourn the meeting (and any adjourned section of the meeting) to use the additional time to solicit additional proxies in favor of the Reclassification, including the solicitation of proxies from shareholders that have previously voted against the Reclassification. Among other things, approval of the Adjournment Proposal could mean that even if proxies representing a sufficient number of votes against the Reclassification have been received, management could adjourn the meeting without a vote on the Reclassification and seek to convince the holders of those shares to change their votes to vote in favor of the Reclassification.

The Board believes that if the number of shares of common stock present or represented at the meeting and voting in favor of the Reclassification is insufficient to approve that proposal, it is in the best interests of Community National Bank's shareholders to enable the Board and management, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes to approve the Reclassification.

Vote Required to Approve Proposal

Approval of a motion to adjourn 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 affect on the outcome of the vote with respect to this proposal.

Recommendation of the Board of Directors

The Board recommends that you vote FOR Proposal Four.

INFORMATION ABOUT COMMUNITY NATIONAL BANK

Overview

Community National Bank of the Lakeway Area was chartered in 2002 under the laws of the United States. Community National Bank is headquartered in Morristown, Hamblen County, Tennessee and operates a total of three full-service banking locations and three ATM sites in northeast Tennessee. Community National Bank operates out of its main office in Morristown, Hamblen County, Tennessee. In addition to its main office, we also operate a separate branch office in Morristown and another in Jefferson City, which is located in Jefferson County, Tennessee.

We are a full service commercial bank that provides community-banking services to the individuals and business in Hamblen and Jefferson Counties in northeast Tennessee. Community National Bank also performs banking services customary of full service banks of similar size and character. Such services include making real estate, commercial and consumer loans, providing other banking services such as traveler's checks, and maintaining deposit accounts such as checking, money market, consumer certificates of deposit and IRA accounts.

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, 2009; (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.

Name (Age)	Officer Since	Business Experience and Position with the Bank
Samuel F. Grigsby, Jr. (56)	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 (64)	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 (55)	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. (44)	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. (55)	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 2009. No other executive officer received total compensation in excess of \$100,000 for services rendered to the Bank during 2009.

Name and Principal Position	Year	Salary ⁽¹⁾ (\$)	Bonus (\$)	Stock Award s (\$)	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	2009	117,110 ⁽³⁾	-	-	-	-	-	-	117,110
	2008	152,495	-	-	-	-	-	-	152,495
	2007	139,814	-	-	-	-	-	-	139,814
Charles A. Hughes President	2009	120,958	-	-	-	-	-	-	120,958
	2008	129,510	-	-	-	-	-	-	129,510
	2007	119,518	-	-	-	-	-	-	119,518

(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.

(3) In light of economic conditions, Mr. Grigsby informed the Board of Directors he would voluntarily reduce his salary for 2009.

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 Chief Executive Officer. This employment agreement was subsequently amended and restated as of December 31, 2008. Under the terms of the amended and restated agreement, Mr. Grigsby receives a salary of \$145,000 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, as amended and restated, automatically renewed for an additional year at the end of its initial one-year 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 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. This employment agreement was subsequently amended and restated as of December 31, 2008. Under the terms of the amended and restated agreement, Mr. Hughes receives a salary of \$120,000 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, as amended and restated, 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 2009 Fiscal Year End Table

The following table sets forth information at December 31, 2009, 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	15,000	-	\$13.50	12/30/2010

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act ("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 2009 and 2010, Mr. Cranford filed a late report to report the purchase of 1,500 shares on May 1, 2009, and Mr. Royston filed two late reports to (a) report the purchase of 4,800 shares through a series of purchases between August 1, 2008 and August 14, 2008, and (b) report the purchase of 1,020 shares in a series of transactions on November 17, December 21 and December 22, 2009. Mr. Ward also filed one late report to report the purchase of (a) 2,035 shares on April 28, 2009, and (b) 800 shares on June 26, 2009. None of the Bank's other 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, 2009, 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. We have excluded an aggregate of 60,500 options with an exercise price of \$13.50 per share from the table below because it is unlikely that the options will be exercised in light of current market conditions. 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	12,514 ²	*
Ronald D. Ailey	10,000	*
Jerry C. Cranford	99,800 ³	5.28%
Uriel Edde, Jr.	34,100 ⁴	1.80%
Samuel F. Grigsby, Jr.	64,400 ⁵	3.40%
Charles A. Hughes	22,065 ⁶	1.17%
Darwin K. Kilday	10,000 ⁷	*
Claude Leroy Royston	73,076 ⁸	*
Thomas D. Rush, Jr.	14,500 ⁹	*
M. Edward Stiner, Jr.	15,241 ¹⁰	*
Eric N. Ward	15,685 ¹¹	*
Donald K. Watson	52,762 ¹²	2.79%
Directors and Executive Officers, as a Group (12 persons)	424,143 ¹³	22.42%
5% Shareholders:		
Richard Storm, Jr. ¹⁴	181,119	9.75%
Guilford D. Ware ¹⁵	180,000	9.69%

* 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 and 2,500 shares held by Mr. Adams' spouse.

³ Includes 21,000 shares held by Mr. Cranford's spouse and 10,000 shares held in Mr. Cranford's IRA.

⁴ Includes 17,600 shares held jointly with Mr. Edde's spouse.

⁵ Includes 11,000 shares held in Mr. Grigsby's IRA, 43,400 shares held jointly with Mr. Grigsby's spouse, and 10,000 shares held jointly with Mr. Grigsby's brother, but excludes 17,500 shares subject to exercisable options.

⁶ Includes 16,990 shares held in Mr. Hughes' IRA, and 75 shares held by Mr. Hughes' spouse, but excludes 15,000 shares subject to exercisable options.

⁷ Includes 7,500 shares held in Mr. Kilday's IRA, but excludes 10,000 shares subject to exercisable options.

⁸ Includes 27,000 shares held jointly with Mr. Royston's spouse.

⁹ Includes 10,000 shares held in Mr. Rush's IRA and 4,500 shares held jointly with Mr. Rush's spouse, but excludes 8,000 shares subject to exercisable options.

¹⁰ Includes 12,641 shares held in Mr. Stiner's IRA and 100 shares held by Mr. Stiner's children, but excludes 10,000 shares subject to exercisable options.

¹¹ Includes 4,000 shares held in Mr. Ward's SEP and 4,000 shares held jointly with Mr. Ward's spouse.

¹² Includes 20,000 shares held jointly with Mr. Watson's spouse, 3,472 shares held by Mr. Watson's spouse and 4,384 shares held by Mr. Watson's spouse's IRA.

¹³ Includes 60,500 shares which individuals have the right to acquire within 60 days after December 31, 2009.

¹⁴ 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.

¹⁵ The address for Mr. Ware is 1200 Bank of America Center, One Commerce Place Norfolk, Virginia 23510.

Recent Affiliate Transactions in Community National Bank Stock

The following table shows all purchases of Community National Bank common stock made by the filing persons during the past two years or since each filing person became an affiliate of Community National Bank, whichever is later, as well as all transactions in the Bank's common stock during the past 60 days involving any filing person, any executive officer, director, affiliate or subsidiary of a filing person. Unless otherwise indicated, each transaction listed was a private purchase from an unaffiliated shareholder.

Name	Date	No. of Shares	Price per Share	Purchase / Sale
Eric N. Ward	5/27/2008	300	6.75	Purchase
Eric N. Ward	5/29/2008	499	7.50	Purchase
Eric N. Ward	5/30/2008	221	7.50	Purchase
Eric N. Ward	6/2/2008	50	7.50	Purchase
Eric N. Ward	6/4/2008	540	7.50	Purchase
Eric N. Ward	6/6/2008	90	7.50	Purchase
Samuel F. Grigsby, Jr.	6/12/2008	1,000	9.00	Purchase
Samuel F. Grigsby, Jr.	6/13/2008	1,000	8.87	Purchase
Eric N. Ward	7/30/2008	400	7.50	Purchase
Eric N. Ward	7/31/2008	100	7.50	Purchase
Claude L. Royston	8/1/2008	800	7.40	Purchase
Claude L. Royston	8/6/2008	800	8.00	Purchase
Claude L. Royston	8/12/2008	1,100	7.95	Purchase
Claude L. Royston	8/12/2008	1,000	7.91	Purchase
Claude L. Royston	8/14/2008	1,100	8.00	Purchase
Claude L. Royston	11/6/2008	3,000	4.40	Purchase
Claude L. Royston	11/6/2008	2,000	4.49	Purchase
Eric N. Ward	11/6/2008	100	4.48	Purchase
Eric N. Ward	11/6/2008	500	4.50	Purchase
Eric N. Ward	11/6/2008	500	4.49	Purchase
Claude L. Royston	11/7/2008	5,000	4.45	Purchase
Claude L. Royston	11/7/2008	1,000	4.48	Purchase
Samuel F. Grigsby, Jr.	12/5/2008	500	3.69	Purchase
Samuel F. Grigsby, Jr.	12/5/2008	500	3.74	Purchase
Samuel F. Grigsby, Jr.	12/5/2008	1,700	4.09	Purchase
Samuel F. Grigsby, Jr.	12/15/2008	100	4.10	Purchase
Eric N. Ward	4/28/2009	2,035	3.62	Purchase
Jerry C. Cranford	5/1/2009	1,500	3.35	Purchase
Samuel F. Grigsby, Jr.	5/7/2009	1,500	4.25	Purchase
Eric N. Ward	6/26/2009	800	3.70	Purchase
Jerry C. Cranford	11/3/2009	28,300	2.00	Purchase
Claude L. Royston	11/17/2009	20	2.00	Purchase
Samuel F. Grigsby, Jr.	11/17/2009	2,000	2.00	Purchase
Samuel F. Grigsby, Jr.	11/23/2009	2,000	2.50	Purchase
Samuel F. Grigsby, Jr.	11/25/2009	703	2.50	Purchase
Samuel F. Grigsby, Jr.	12/1/2009	400	2.50	Purchase
Samuel F. Grigsby, Jr.	12/1/2009	1,450	2.50	Purchase
Samuel F. Grigsby, Jr.	12/1/2009	447	2.35	Purchase
Claude L. Royston	12/21/2009	53	2.31	Purchase
Claude L. Royston	12/23/2009	947	2.31	Purchase

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 collectability or present other unfavorable features to the Bank.

As of December 31, 2009, the aggregate amount of loans and extensions of credit outstanding to these persons was approximately \$2.0 million which represented approximately 16.0% of the total equity capital of the Bank.

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.

Market for Our Common Equity and Related Matters

From August 16, 2006 to December 18, 2008, the Bank's common stock was traded on the Nasdaq National Market ("Nasdaq") under the symbol CNLA. On December 9, 2008, we voluntarily delisted the common stock from Nasdaq, effective the open of trading on December 19, 2008. Since our voluntary delisting, our shares have been quoted on the Nasdaq Over-the-Counter Bulletin Board under the symbol CNLA.OB, and on the Pink Sheets under the symbol CNLA. We took this action to reduce and more effectively manage our regulatory and administrative costs, and to enable our management to better focus on the growth and development of our business.

As of March 15, 2010, there were approximately 740 shareholders of record of the Bank's common stock and 1,891,426 shares outstanding. The development of an active secondary market requires the existence of an adequate number of willing buyers and sellers. Historically, the reported trading volume would indicate a lack of activity in the secondary market for our common stock. The lack of activity in the secondary market for our common stock may materially impact a shareholder's ability to promptly sell common stock at a price acceptable to the selling shareholder, and contributes to the volatility of our common stock's price. The high and low prices per share as reported on a quarterly basis in 2009 and 2008 are as follows:

Quarter	High	Low	Dividend
2010			
1 st Quarter	\$3.00	\$ 2.20	\$ -
2009			
4 th Quarter	\$3.00	\$ 1.70	\$ -
3 rd Quarter	4.25	1.55	-
2 nd Quarter	4.30	2.60	-
1 st Quarter	4.25	2.10	-
2008			
4 th Quarter	\$6.55	\$ 3.71	\$ -
3 rd Quarter	8.00	6.25	-
2 nd Quarter	9.00	5.50	-
1 st Quarter	11.00	6.60	-

Dividends

The Bank has not paid and does not anticipate paying dividends on its common stock in the immediate future. The Bank is required by federal law to obtain prior approval of the Office of the Comptroller of the Currency for payments of dividends if the total of all dividends declared by our Board of Directors in any year will exceed (1) the total of the Bank's net profits for that year, plus (2) the Bank's retained net profits of the preceding two years, less any required transfers to surplus. Under applicable OCC regulations, no dividends may be paid by a national bank until it is cumulatively profitable; as a consequence, the Bank is currently prohibited from paying dividends. No assurance can be given that dividends will be declared by the Bank, or if declared, what the amount of the dividends will be or whether such dividends, once declared, would continue.

Securities Authorized for Issuance Under Equity Compensation Plans

In 2002, the Board of Directors approved the 2002 Stock Option Plan. Our shareholders approved the plan in 2002.

Prior Public Offerings and Stock Purchases

We have not made an underwritten public offering of our common stock during the past three years. Also, we have made no purchases of shares of our common stock during the past two years, although members of our Board of Directors and executive officers have made the following purchases since January 1, 2008 through March 31, 2010:

<i>Year</i>		<i>Total # of</i>	<i>Price Range</i>		<i>Avg. Price</i>
		<i>Shares Purchased</i>	<i>High</i>	<i>Low</i>	<i>Per Share</i>
2008:	First Quarter	0	\$ -	\$ -	\$ -
	Second Quarter	3,700	\$ 9.00	\$ 6.75	\$ 8.21
	Third Quarter	5,300	\$ 8.00	\$ 7.40	\$ 7.83
	Fourth Quarter	14,900	\$ 4.50	\$ 3.69	\$ 4.36
2009:	First Quarter	0	\$ -	\$ -	\$ -
	Second Quarter	5,835	\$ 4.25	\$ 3.35	\$ 3.72
	Third Quarter	0	\$ -	\$ -	\$ -
	Fourth Quarter	36,320	\$ 2.50	\$ 2.00	\$ 2.10
2010:	First Quarter	0	\$ -	\$ -	\$ -

**QUESTIONS AND ANSWERS ABOUT
THE RECLASSIFICATION AND THE ANNUAL MEETING**

Q: Why did you send me this Proxy Statement?

A: We sent you this Proxy Statement and the enclosed proxy card because our Board of Directors is soliciting your votes for use at our Annual Meeting of Shareholders.

This Proxy Statement includes all of the information that is required and necessary in order for you to cast an informed vote at the meeting. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

We first sent this Proxy Statement, notice of the Annual Meeting and the enclosed proxy card on or about May 12, 2010 to all shareholders entitled to vote. The record date for those entitled to vote is April 12, 2010. On that date, there were 1,891,426 shares of our common stock outstanding. Shareholders are entitled to one vote for each share of common stock held as of the record date.

Q: What is the time and place of the Annual Meeting?

A: The Annual Meeting will be held at 10:00 a.m. EDT, on June 21, 2010, at the Rose Center, 442 West Second North Street, Morristown, Tennessee 37814.

Q: Who may be present at the Annual Meeting and who may vote?

A: All holders of our common stock may attend the Annual Meeting in person. However, only holders of our common stock of record as of April 12, 2010 may cast their votes in person or by proxy at the Annual Meeting.

Q: What items will be voted upon at the Annual Meeting?

A: You will be voting upon the following matters:

1. Reclassification of Stock. To amend our Articles of Association to reclassify certain of our shares of existing common stock into Class A Preferred Stock and Class B Preferred Stock for the purpose of discontinuing the registration of our common stock under the Exchange Act.

2. Electing Directors. To elect four (4) directors to serve as Class I Directors of the Bank until the 2013 Annual Meeting of Shareholders and until their successors have been elected and qualified, and to elect one (1) director to serve as a Class III Director of the Bank until the 2012 Annual Meeting of Shareholders and until his successor has been elected and qualified.

3. 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, 2010.

4. Adjournment. To vote on a proposal to grant our management the authority to adjourn the meeting to another time and date in order to allow the Board of Directors to solicit additional proxies or attendance at the meeting.

5. Other Business. To transact such other business as may properly come before the Annual Meeting or any adjournment of the Annual Meeting.

Q: How do I vote by proxy?

A: If you sign, date and return your proxy card before the annual meeting, we will vote your shares as you direct.

If you return your signed proxy card but do not specify how you want to vote your shares, we will vote them “for” the Reclassification, in favor of the adjournment proposal, for the nominated directors, and in favor of the ratification of the appointment of our independent auditors for the year ending December 31, 2010.

The Board of Directors knows of no other business to be presented at the Annual Meeting other than those matters described above. If any matters other than those set forth above are properly brought before the Annual Meeting, the individuals named in your proxy card may vote your shares in accordance with their best judgment. We will not use discretionary authority granted by proxies voting against the proposals to amend our Articles of Association or to reclassify our common stock. In order to adjourn the meeting to solicit additional votes, only those proxies (i) voting in favor of the proposal to amend our Articles of Association and to reclassify our common stock, or (ii) which are unmarked, will be voted for adjournment or postponement.

Q: How do I change or revoke my proxy?

A: You can change or revoke your proxy at any time before it is voted at the annual meeting by:

1. submitting another proxy with a more recent date than that of the proxy first given; or
2. attending the Annual Meeting and voting in person, although attendance by itself will not revoke a previously granted proxy; or
3. sending written notice of revocation to our Executive Vice President and Chief Financial Officer, Darwin Kilday, at Community National Bank of the Lakeway Area, 225 West First North Street, Morristown, Tennessee 37814.

Q: If I return my proxy, may I still attend the Annual Meeting?

A: Yes. You are encouraged to mark, sign and date the enclosed form of proxy and return it promptly in the enclosed postage-paid envelope, so that your shares will be represented at the Annual Meeting. However, returning a proxy does not affect your right to attend the Annual Meeting and vote your shares in person.

Q: How many votes are required to approve the Reclassification?

A: If a quorum is present at the Annual Meeting, the Amendment to our Articles of Association relating to the Reclassification will require the affirmative vote of two-thirds of our outstanding common stock, or at least 1,260,951 shares. Because approval of the Reclassification requires the approval of two-thirds of the outstanding shares of our common stock, abstentions and failures to vote either in person or through a proxy will have the same effect as a “NO” vote. If a broker indicates that it does not have discretionary authority as to certain shares to vote on a particular matter, such shares will not be considered as present and entitled to vote with respect to such matter. Broker-non votes will also have the same effect as a “NO” vote on the Reclassification.

Q: What constitutes a “quorum” for the meeting?

A: A majority of the outstanding shares of our common stock, present or represented by proxy, constitutes a quorum. We need 945,714 shares of our common stock, present or represented by proxy, to have a quorum. A quorum is necessary to conduct business at the Annual Meeting. You are part of the quorum if you have voted by proxy. Abstentions will be treated as present for purposes of determining a quorum, but as unvoted shares for purposes of determining the approval of any matter submitted to the shareholders for a vote.

Q: Will I have appraisal or dissenters’ rights in connection with the Reclassification?

A: Yes. Under the National Bank Act and the TBCA, both of which govern the adoption of the Reclassification, you have the right to demand the appraised value of your shares if the Bank completes the Reclassification, you do not vote in favor of the proposed Reclassification and you comply with all procedural requirements of federal and Tennessee law, the relevant sections of which are attached to this Proxy Statement as Appendix B. Failure to precisely follow these requirements will result in the loss of your dissenters’ rights.

In order to receive cash through the exercise of your dissenters' rights, you must not vote in favor of the Reclassification. A vote in favor of the Reclassification will constitute a waiver of your dissenters' rights. Additionally, voting against the Reclassification, without compliance with the other requirements, including sending us notice of your intent to dissent prior to the Annual Meeting, will not perfect your dissenters' rights. Your rights are described in more detail under “- Dissenters' Rights” beginning on page 11.

Q: What specific procedures must shareholders follow in order to perfect their dissenters' rights?

A: In order to exercise your dissenters' rights and receive the fair value of your shares in cash:

- You must not vote in favor of the Reclassification. A vote in favor of the Reclassification will constitute a waiver of your dissenters' rights.
- Before the vote is taken, you must deliver a written notice to us of your intent to demand payment for your shares if the Reclassification is effectuated; your written notice must be delivered either in person or by mail (certified mail, return receipt requested, is the recommended form of transmittal) to Darwin Kilday, 225 West First North Street, Morristown, Tennessee 37814.
- If you satisfy the requirements listed above, no later than ten (10) days after the corporate action is taken, we will send you a dissenters' notice that will include directions about where to send a payment demand, and where and when the certificates for your shares must be deposited; the dissenters' notice we send to you will also set a date by which we must receive your payment demand, which date may not be fewer than thirty (30) nor more than sixty (60) days after the date we deliver the dissenters' notice to you; and a copy of Article 23 of the Tennessee Business Corporation Act.

You must send your payment demand to us, and deposit your share certificates in accordance with the terms of the dissenters' notice before the date specified in the dissenters' notice.

Within ten (10) days of the later of the date the Reclassification is effectuated, or receipt of your payment demand if made within the prescribed time period and you have complied with the above requirements, we shall provide you with a notice offering to pay you the amount we estimate to be the fair value of your shares, plus accrued interest. This offer of payment will be accompanied by (1) the Bank's balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any; (2) a statement of the Bank's estimate of the fair value of the shares; (3) an explanation of how the interest was calculated; (4) a statement of the dissenters' right to demand payment under Section 48-23-209 of the Tennessee Business Corporation Act; and (5) a copy of the relevant provisions of the Tennessee Business Corporation Act and the National Bank Act relating to the exercise of a shareholder's right to dissent.

If you should choose to accept our offer to purchase your shares at the fair value price contained in our offer, you should send us written notice of your acceptance within thirty (30) days of our offer and we shall pay you the amount stated in our offer within sixty (60) days of making of the offer or the date the Reclassification is effectuated, whichever is later.

Should you fail to respond to our offer within thirty (30) days of our offer, it will be deemed that you have accepted our offer in which case we shall pay you the amount stated in our offer within sixty (60) days of making of the offer or the date the Reclassification is effectuated, whichever is later.

Should you not choose to accept our offer, you may notify us in writing of your own estimate of the fair value of your shares and amount of interest due and demand payment of your estimate of the fair value of your shares and interest due, if: (i) you believe that the amount we offered is less than the fair value of your shares or that the interest due is incorrectly calculated; or (ii) we, having failed to effectuate the Reclassification, do not return your deposited share certificates within sixty (60) days after the date set for demanding payment. You will waive your right to demand payment under Section 48-23-209 of the Tennessee Business Corporation Act and be deemed to have accepted our offer unless you notify us of your demand in writing within 30 days after our offer of payment for your shares.

If you make a demand for payment which remains unsettled, we will commence, at our expense, but not including attorneys' fees and the costs of experts incurred by dissenting shareholders, a proceeding within sixty (60) days after receiving such payment demand and petition a court of competent jurisdiction to receive a judicial appraisal of the fair value of your shares and accrued interest. If we do not commence the proceeding within the sixty-day period, we must pay you the amount you demanded. We will make all dissenters whose demands remain unsettled parties to the proceeding which shall have the effect of an action quasi in rem against their shares. We shall serve a copy of the petition in the proceeding upon each dissenting shareholder who is a resident of Tennessee in the manner provided by law for the service of a summons and complaint, and upon each nonresident dissenting shareholder either by registered or certified mail or statutory overnight delivery or by publication, or in any other manner permitted by law. Each dissenter made a party to the proceeding is entitled to judgment for the amount which the court finds to be the fair value of the dissenters' shares, plus accrued interest to the date of judgment. Should the appropriate court refuse jurisdiction over the appraisal of shares, the Bank will enter into binding third-party arbitration, at our expense, but not including attorneys' fees and the costs of experts incurred by dissenting shareholders for purposes of the arbitration, with the dissenting shareholder to determine the fair value of the dissenting shares.

If we do not effectuate the Reclassification within sixty (60) days after the date set for demanding payment and depositing share certificates, we shall return your deposited certificates to you.

Q: Have you determined the "fair value" of the common stock?

A: No, not yet. However, we plan to estimate the "fair value" of our shares of common stock using a variety of methods, including a multiple of earnings, a multiple of the book value of the stock, and trade prices for recent sales of our common stock. Our Board may also choose to rely on independent third parties to determine the "fair value" for our shares, as well as trends and multiples in the banking industry generally.

Q: What is the purpose of the proposed Reclassification?

A: The purpose of the Reclassification is to allow us to suspend our reporting obligations under the National Bank Act and the Exchange Act (referred to as "going private") by reducing the number of our record shareholders of common stock to less than 300 and by having under 500 record shareholders of each of our Class A Preferred Stock and Class B Preferred Stock. This will allow us to terminate our registration under the Exchange Act, suspend our reporting obligations under the National Bank Act and the Exchange Act, and relieve us of the costs typically associated with the preparation and filing of public reports and other documents.

Q: If approved, what are the effects of the Reclassification?

A: The Reclassification is a "going private transaction" for Community National Bank, meaning it will allow us to deregister our common stock and suspend our reporting obligations under the National Bank Act and the Exchange Act. As a result of the Reclassification, among other things:

- the number of our record shareholders holding shares of common stock will be reduced from approximately 740 to approximately 212;
- the number of outstanding shares of our common stock will decrease approximately 7.36%, from 1,891,426 shares to approximately 1,752,127 shares;
- the number of authorized shares of Class A Preferred Stock will increase from 0 shares to 200,000 shares, of which approximately 117,409 shares will be outstanding and held by approximately 311 shareholders;
- the number of authorized shares of Class B Preferred Stock will increase from 0 shares to 100,000 shares, of which approximately 21,890 shares will be outstanding and held by approximately 217 shareholders;

- because of the reduction of our total number of record shareholders of common stock to less than 300 and because the total number of record shareholders of the Class A Preferred Stock and Class B Preferred Stock will be less than 500 for each class, we will be allowed to suspend our reporting obligations under the National Bank Act and the Exchange Act; and
- all of our shareholders, including those shareholders receiving shares of Class A Preferred Stock or Class B Preferred Stock, will continue to have an equity interest in Community National Bank and therefore will still be entitled to participate in any future value received as a result of a sale of Community National Bank, if any. Shareholders receiving shares of Class A Preferred Stock or Class B Preferred Stock, however, will forego their voting rights on nearly all matters in the future, including on the election of directors.

For a further description of how the Reclassification will affect you, please find additional information beginning on page 35.

Q: What does it mean for the Bank and our shareholders that Community National Bank will no longer be a public company and subject to federal securities laws reporting obligations?

A: We will no longer be required to file Exchange Act reports with the OCC, including annual, quarterly and periodic reports. This will greatly reduce the amount of information that is publicly available about the Bank and will eliminate certain corporate governance safeguards resulting from the Sarbanes-Oxley Act, such as the requirements for an audited report on our internal controls and for our CEO and CFO to certify as to the accuracy of our disclosures, and disclosure requirements relating to our audit committee composition, code of ethics and director nomination process. We do, however, intend to send shareholders annual letters. Additionally, beginning 90 days after the effective date of the Reclassification, our executive officers, directors and other affiliates will no longer be subject to many of the reporting requirements and restrictions of the National Bank Act and the Exchange Act, including the reporting and short-swing profit provisions of Section 16, and information about their compensation and stock ownership will not be publicly available.

Following the Reclassification, we expect that the common stock of the Bank will continue to be traded on the Pink Sheets and the Over the Counter Bulletin Board (OTCBB). In addition, following the Reclassification, shares of the Class A Preferred Stock and the Class B Preferred Stock will also be eligible for trading on the Pink Sheets and/or OTCBB if there is sufficient market interest.

Q: Will Community National Bank be subject to regulatory controls if it is no longer subject to reporting obligations under the National Bank Act and the Exchange Act?

A: Although our obligations to report under the federal securities laws will be suspended, the Bank will nevertheless remain subject to a variety of internal and external regulatory controls. In addition to our on-going internal audit controls and procedures, we will also continue to be subject to an external audit by our independent accountants, as well as to supervisory controls and review by the OCC, including the public filing of quarterly Reports of Condition and Income with our regulators.

Q: Why are you proposing the Reclassification?

A: Our reasons for the Reclassification are based on:

- The direct and indirect cost savings of approximately \$261,000 per year that we expect to experience as a result of the deregistration of our common stock under the Exchange Act; and
- Our belief that our shareholders have not benefited proportionately from the costs relating to the registration of our common stock, principally as a result of the limited trading market for our stock.

We considered that some of our shareholders may prefer that we continue as a reporting company under the National Bank Act and the Exchange Act, which is a factor weighing against the Reclassification. However, we

believe that the disadvantages and costs of continuing our reporting obligations under the National Bank Act and the Exchange Act outweigh any advantages associated with doing so. See “- Reasons for the Reclassification; Fairness of the Reclassification; Board Recommendation” beginning on page 22.

Based on a careful review of the facts and circumstances relating to the Reclassification, our Board of Directors believes that the terms and provisions of the Reclassification are substantively and procedurally fair to our shareholders. Our Board of Directors unanimously approved the Reclassification.

In the course of determining that the Reclassification is fair to, and is in the best interests of, our shareholders, including to those shareholders who will continue to hold shares of common stock as well as those shareholders whose shares of common stock will be reclassified into shares of Class A Preferred Stock or Class B Preferred Stock, our Board considered a number of positive and negative factors affecting these groups of shareholders. To review the reasons for the Reclassification in greater detail, please see “- Reasons for the Reclassification; Fairness of the Reclassification; Board Recommendation” beginning on page 22.

Q: What is the recommendation of our Board of Directors regarding this proposal?

A: Our Board of Directors has determined that the Reclassification is in the best interests of our shareholders. Our Board of Directors has unanimously approved the Reclassification and recommends that you vote “FOR” approval of the Reclassification at the Annual Meeting. All of the members of our Board of Directors, including those who are not employees of the Bank, intend to vote in favor of the Reclassification. Each of the members of the Board of Directors are affiliates of the Bank deemed to be “filing persons” for purposes of this Proxy Statement.

Q: Has the Bank obtained any reports, opinions or appraisals from an outside party relating to the fairness of the consideration being offered to the shareholders?

A: Neither the Board of Directors nor the officers have received or solicited any reports, opinions or appraisals from any outside party relating to the fairness of the consideration being received by our shareholders. Moreover, we did not consider the liquidation value of our assets, the current or historical market price of our shares, our net book value, or going concern value to be material since our shareholders are not being “cashed out” in connection with the Reclassification and the shares of both the Class A Preferred Stock and Class B Preferred Stock afford the holders of those shares to participate equally with the holders of the common stock in any subsequent sale of the Bank.

Q: What will I receive in the Reclassification?

If approved at the Annual Meeting, the transaction will affect you as follows:

<u>If, on record date, you are a shareholder with</u>	<u>Effect</u>
Any shares of common stock held in street name	You will continue to hold the same number of shares of common stock
1,000 or more shares of common stock held in record name	You will continue to hold the same number of shares of common stock
Between 200 and 999 shares of common stock held in record name	You will no longer hold shares of common stock, but will instead hold a number of shares of Class A Preferred Stock equal to the same number of shares of common stock that you held before the reclassification
Less than 200 shares of common stock held in record name	You will no longer hold shares of common stock, but will instead hold a number of shares of Class B Preferred Stock equal to the same number of shares of common stock that you held before the reclassification

Q: What are the terms of the Class A Preferred Stock and the Class B Preferred Stock?

A: The following table sets forth the principal differences between our common stock before and after the Reclassification, the Class A Preferred Stock and the Class B Preferred Stock:

	Common Stock (Prior to Reclassification)	Common Stock (Post Reclassification)	Class A Preferred Stock	Class B Preferred Stock
<i>Voting Rights</i>	Entitled to vote on all matters for which shareholder approval is required under federal law	Entitled to vote on all matters for which shareholder approval is required under federal law	Entitled to vote only on (i) any merger, share exchange, sale of substantially all the assets, voluntary dissolution, or change in control of the Bank (ii) an Amendment to the Bank's Articles of Association that could result in a change in the rights and privileges of the Class A Preferred Stock; or (iii) as required by law	Only entitled to vote in connection with an Amendment to the Bank's Articles of Association that could affect the holders of the Class B Preferred Stock or as otherwise required by law, including National Bank Act provisions relating to consolidation and merger
<i>Dividends</i>	If and when declared by our Board of Directors, subject to the Bank's ability to pay a dividend which may be subject to regulatory and statutory limitations	If and when declared by our Board of Directors, subject to the Bank's ability to pay a dividend which may be subject to regulatory and statutory limitations	5% premium on any dividends paid on our common stock, subject to the Bank's ability to pay a dividend which are subject to regulatory and statutory limitations	10% premium on any dividends paid on our common stock, subject to the Bank's ability to pay a dividend which are subject to regulatory and statutory limitations
<i>Liquidation Rights</i>	As the only class outstanding, it is entitled to distribution of all assets	Entitled to distribution of assets following distribution of amounts designated to holders of the Class A and Class B Preferred Stock	Entitled to distribution of assets following distribution of amounts designated to holders of Class B Preferred Stock, and prior to distribution of assets to holders of common stock	Entitled to distribution of assets prior to holders of Class A Preferred Stock and common stock, respectively
<i>Conversion Rights</i>	Not applicable	Not applicable	Automatically converted into common stock on a 1:1 basis upon a merger, share exchange or other transaction that results in the disposition of all or substantially all of the assets of the Bank	Automatically converted into common stock on a 1:1 basis upon a merger, share exchange or other transaction that results in the disposition of all or substantially all of the assets of the Bank
<i>Preemptive Rights</i>	None	None	None	None

For a complete description of the terms of the common stock, Class A Preferred Stock and Class B Preferred Stock, please refer to pages 17-20. Our ability to pay dividends is dependent upon the Bank's cash-on-hand. Please see "INFORMATION ABOUT COMMUNITY NATIONAL BANK – Market for our Common Equity and Related Matters – Dividends" on page 58 for additional information.

Q: Why are 200 and 1,000 shares the “cut-off” numbers for determining which shareholders will receive Class A or Class B Preferred Stock and which shareholders will remain as common stock shareholders?

A: The purpose of the Reclassification is to reduce the number of our record shareholders of our common stock to fewer than 300 and to have under 500 record shareholders of each of our Class A Preferred Stock and Class B Preferred Stock, which will allow us to de-register as reporting company under the Exchange Act. Our Board selected 200 and 1,000 shares as the “cut-off” numbers in order to enhance the probability that after the Reclassification, if approved, we will have fewer than 300 record shareholders of our common stock and have fewer than 500 record shareholders of each of our Class A Preferred Stock and Class B Preferred Stock.

Q: May I acquire additional shares in order to remain a holder of common stock?

A: Yes. The key date for acquiring additional shares is the date of our Annual Meeting. So long as you are able to acquire a sufficient number of shares so that you are the record owner of 1,000 or more shares by that date, you will retain your shares of common stock in the Reclassification. Due to the limited market for our common stock, however, it may be difficult for you to acquire the requisite number of shares of our common stock to avoid reclassification.

Q: Who is a “holder” of stock for purposes of determining how I may be affected by the Reclassification?

A: Because Exchange Act rules require that we count “record holders” for purposes of determining our reporting obligations, the Reclassification is based on shares held of record without regard to the ultimate control of the shares. A shareholder “of record” is the shareholder whose name is listed on the front of the stock certificate, regardless of who ultimately has the power to vote or sell the shares. For example, if a shareholder holds separate certificates (i) individually, (ii) as a joint tenant with someone else, (iii) as trustee or custodian, and (iv) in an IRA, those four certificates represent shares held by four different record holders, even if a single shareholder controls the voting or disposition of those shares.

As a result, a single shareholder with 1,000 or more shares held in various accounts could receive Class A Preferred Stock or Class B Preferred Stock in the Reclassification for all of his or her shares depending on the number of shares held in each of those accounts. To avoid this, the shareholder may either consolidate his or her ownership into a single form of ownership, or acquire additional shares prior to the effective date of the Reclassification. Additionally, a shareholder who holds fewer than 200 shares of common stock in street name may be unaffected by the Reclassification if the broker holds an aggregate of 1,000 or more shares or if the broker manages its account through DTC.

Q: What does it mean if my shares are held in “street name”?

A: If you have transferred your shares of common stock into a brokerage or custodial account, you are no longer shown on our shareholder records as a record holder of these shares. Instead, the brokerage firms or custodians typically hold all shares of our common stock that its clients have deposited with it through a single nominee. This method of ownership of stock is commonly referred to as being held in “street name.”

Q: What if I hold my shares in “street name”?

A: The Reclassification is being effected at the record shareholder level. This means that we will look at the number of shares registered in the name of a single holder to determine if that holder will be receiving shares of the Class A Preferred Stock or the Class B Preferred Stock. It is important that you understand how shares that are held by you in “street name” will be treated for purposes of the Reclassification described in this Proxy Statement. If that single

nominee is the record shareholder for 1,000 or more shares, then the stock registered in that nominee's name will be completely unaffected by the Reclassification. Because the Reclassification only affects record shareholders, it does not matter whether any of the underlying beneficial owners for whom that nominee acts own less than 1,000 shares. At the end of this transaction, these beneficial owners will continue to beneficially own the same number of shares of our common stock as they did at the start of this transaction, even if the number of shares they own is less than 1,000.

Because brokers who manage their positions through DTC appear on the records of the Bank under the name of DTC's partnership nominee, Cede & Co., as a single holder of record, all broker positions managed through DTC will be aggregated for purposes of the Reclassification. As a result, you can avoid reclassification of your shares by placing your shares into "street name" with a broker who manages its position through DTC.

Q: When is the Reclassification expected to be completed?

A: If the proposed Reclassification is approved at the Annual Meeting, we expect to complete such Reclassification as soon as practicable following the Annual Meeting, which will be either during the second or third quarter of 2010. Although federal law allows our Board to abandon the Reclassification after shareholder approval but prior to filing the amendment to our Articles of Association with the OCC, we have no plans to do so unless there are excessive numbers of shares exercising dissenters' rights or the effect of the Reclassification would not result in the anticipated number of shareholders for each class that would permit deregistration without a substantial risk of being later required to reregister.

Q: What if the proposed Reclassification is not completed?

A: If the Reclassification is not completed, whether due to a failure to be approved by our shareholders or a decision by our Board to abandon, we will continue our current operations, and we will continue to be subject to the reporting requirements of the National Bank Act and the Exchange Act.

Q: What will happen if, through negotiated trades, the Bank gains additional security holders requiring registration under the Exchange Act?

A: We are currently subject to the reporting obligations under Section 13(a) of the Exchange Act as applied to national banks by the National Bank Act, which requires us to file proxy statements and periodic reports with the OCC, because we are a national bank and our common stock is registered under Section 12 of the Exchange Act. Registration is required under Section 12 because we have more than 500 holders of record of our common stock. In addition, because we filed a registration statement under the Securities Act of 1933 when we initially offered our shares to the public, we are subject to reporting obligations under Section 15(d) of the Exchange Act. If the shareholders approve the proposals to amend our Articles of Association and to reclassify our common stock, our common stock will be held by less than 300 shareholders of record which will permit us to suspend our reporting obligations.

If the Reclassification is approved, we intend to then file a Form 15 and terminate the registration of our common stock and the obligation to file Section 13(a) periodic reports arising under Section 12(g); however, our periodic reporting obligations arising under Section 15(d) of the Exchange Act cannot be terminated, but can only be suspended. Therefore, if our shareholders of record for the common stock ever rise above 300 as of the last day of any fiscal year, then we will again be responsible for making filings in compliance with Section 15(d). This would require us to file periodic reports going forward and an annual report for the preceding fiscal year. If the holders of record for any class of our securities, such as the Class A Preferred Stock or Class B Preferred Stock, ever exceeds 500, then we will again become fully regulated under additional disclosure provisions of the Exchange Act.

Q: If the Reclassification is approved, will the Bank continue to have its financial statements audited and will shareholders receive information on the Bank?

A: Yes to both questions. Even if we terminate our registration under the Exchange Act, we will continue to have our financial statements audited and send out periodic information to our shareholders. Periodic information would include shareholder letters, which would include information updating our financial performance and any other news affecting the Bank, such as new offices, acquisitions, economic updates or new product offerings. We also intend to continue to prepare and distribute annual reports to our shareholders.

Q: What are the tax consequences of the Reclassification?

A: We believe that the Reclassification, if effectuated, will have the following federal income tax consequences:

- the Reclassification should result in no material federal income tax consequences to Community National Bank;
- those shareholders continuing to hold common stock will not recognize any gain or loss in the Reclassification;
- those shareholders receiving Class A Preferred Stock or Class B Preferred Stock for their shares of common stock should not recognize any gain or loss in the Reclassification, their basis in the Class A Preferred Stock or Class B Preferred Stock will equal the basis in their shares of common stock, and their holding period for shares of Class A Preferred Stock or Class B Preferred Stock will include the holding period during which their shares of common stock were held; and
- we expect that the proceeds from a subsequent sale of the Class A Preferred Stock or Class B Preferred Stock will be treated as capital gain or loss to most shareholders. However, the Class A Preferred Stock or Class B Preferred Stock could be considered Section 306 stock as defined under the Internal Revenue Code, and in that case the proceeds from a subsequent sale of Class A Preferred Stock or Class B Preferred Stock (i) will be treated as ordinary income (dividend income) to the extent that the fair market value of the stock sold, on the date distributed to the shareholder, would have been a dividend to such shareholder had the company distributed cash in lieu of stock; (ii) any excess of the amount received over the amount treated as ordinary income plus the cost basis of the stock will be treated as a capital gain; and (iii) no loss, if any, will be recognized. Under current tax law, if proceeds are treated as dividend income, such proceeds will be taxed at the same rates that apply to net capital gains (*i.e.*, 5% and 15%). The current tax law provision in which dividends are taxed at net capital gain rates will not apply for tax years beginning after December 31, 2010. Unless any intervening tax legislation is enacted, ordinary income tax rates will be applicable for dividend income beginning January 1, 2011.

Because determining the tax consequences of the Reclassification can be complicated and depends on your particular tax circumstances, you should consult your own tax advisor to understand fully how the Reclassification will affect you.

Q: Should I send in my stock certificates now?

A: No. If you own in record name fewer than 1,000 shares of common stock of record after the Reclassification is completed, we will send you written instructions for exchanging your stock certificates for shares of Class A Preferred Stock or Class B Preferred Stock. If you own in record name 1,000 or more shares of our common stock, you will continue to hold the same number and class of shares after the Reclassification as you did before the Reclassification.

Q: How are you financing the Reclassification?

A: We estimate that the total fees and expenses relating to the Reclassification will be approximately \$119,000, much of which has been reflected in our 2009 results. This amount will be higher to the extent that shareholders exercise dissenters' rights. We believe that we have sufficient cash-on-hand to pay these costs. In structuring the terms of the transaction in a manner that shares of common stock are not "cashed out" in the transaction but, rather, are converted into shares of Class A Preferred Stock and Class B Preferred Stock, our Board believes that it has attempted to balance the interests of reducing our expenses in transitioning to a non-OCC reporting company while at the same time affording all shareholders the opportunity to retain an equity ownership interest in the company.

Q: Who pays for the solicitation of proxies?

A: This Proxy Statement is being furnished in connection with the solicitation of proxies by our Board of Directors. We will pay the cost of preparing, printing and mailing material in connection with this solicitation of proxies. In addition to being solicited through the mails, proxies may be solicited personally or by telephone, facsimile, electronic mail, or telegraph by officers, directors, and employees of Community National Bank who will receive no additional compensation for such activities. Arrangements will also be made with brokerage houses and other custodians, nominees, and fiduciaries to forward solicitation materials to the beneficial owners of shares held of record by such persons. Such brokerage houses and other custodians, nominees, and fiduciaries will be reimbursed for their reasonable expenses incurred in such connection. We have not retained any outside party to assist in the solicitation of proxies.

Q: Where can I find more information about Community National Bank?

A: We currently file periodic reports and other information with the OCC. You may read and copy this information at the OCC's public reference facilities. Requests for documents can be sent to the facsimile number (202) 874-4448, or via telephone at (202) 874-5043. In addition, selected securities reporting documents filed by Community National Bank since 2009 are available online at the OCC's online reading room located at <http://www.occ.treas.gov/foia/foia.htm>.

Q: Who can help answer my questions?

A: If you have questions about the Reclassification, or any other matter to be voted upon at the Annual Meeting, after reading this Proxy Statement or need assistance in voting your shares, you should contact Darwin K. Kilday at (423) 587-2345.

OTHER MATTERS

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 January 10, 2011 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.

Householding. As permitted by applicable law we may deliver only one copy of this Proxy Statement to shareholders residing at the same address, unless the shareholders have notified us of their desire to receive multiple copies of the proxy statement. This is known as "householding." We do this to reduce costs and preserve resources.

Upon oral or written request, we will promptly deliver a separate copy of the proxy statement to any Shareholder residing at an address to which only one copy was mailed. Requests for additional copies for the current year or future years should be directed to the Corporate Secretary. You may contact our Corporate Secretary by mail at Community National Bank of the Lakeway Area, Post Office Box 1919, Morristown, Tennessee 37816-1919, Attention: Corporate Secretary.

If your shares are held in a brokerage account or bank, you are considered the "beneficial owner" of those shares. Beneficial owners should contact their broker or bank.

Reports, Opinions, Appraisals and Negotiations

We have not received any report, opinion or appraisal from an outside party that is related to the Reclassification.

Forward Looking Statements

Statements contained herein that are not purely historical are forward-looking statements, including, but not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. Actual results could differ materially from those projected in any forward-looking statements as a result of a number of factors, including those detailed in this Proxy Statement. The forward-looking statements are made as of the date of this Proxy Statement and we undertake no obligation to update or revise the forward-looking statements, or to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

We caution you not to place undue reliance on any forward-looking statements made by, or on behalf us in this Proxy Statement or in any of our filings with the OCC or otherwise. Additional information with respect to factors that may cause the results to differ materially from those contemplated by forward-looking statements is included in our current and subsequent filings with the OCC.

Information Incorporated by Reference

In our filings under the Exchange Act, information is sometimes incorporated by reference. This means that we are referring you to information that we have filed separately with the OCC. The information incorporated by reference should be considered part of this Proxy Statement, except for any information superseded by information contained

directly in this Proxy Statement. Community National Bank of the Lakeway Area's 2009 Annual Report to Shareholders, including audited financial information, is incorporated herein by reference.

We have supplied all information contained in or incorporated by reference in this document relating to Community National Bank, provided that any reference to any claim of reliance on the Private Securities Litigation Reform Act's forward looking statement safe harbor contained in any such document is excluded, and is not incorporated herein by reference. You may have been sent some of the reports and other information incorporated by reference in this document by us, but you can also obtain any of them through the SEC at the locations described above, or through us at the address below. We will provide to you, without charge, by first class mail or other equally prompt means within one business day of any written or oral request by you, a copy of any report or other information incorporated by reference in this document by us. You should direct your request to the following address: Community National Bank of the Lakeway Area 225 West First North Street, Morristown, Tennessee 37814, Attention: Darwin Kilday, Chief Financial Officer.

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.

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.

By order of the Board of Directors:

Morristown, Tennessee
May 12, 2010

SELECTED HISTORICAL FINANCIAL INFORMATION (UNAUDITED)

Set forth below is our selected historical consolidated financial information, which was derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the "Annual Report") and from other information and data contained in the Annual Report and other previously filed quarterly reports. More comprehensive financial information is included in the Annual Report and our quarterly reports.

The financial information that follows is only a summary and is qualified by reference to, and should be read in conjunction with, the Annual Report, previously filed quarterly reports and all of the financial statements and related notes contained in the Annual Report and in all other information filed with the OCC.

	As of and for the year ended December 31,	
(In thousands except per share data)	2009	2008
Net interest income	\$3,678	\$3,724
Provision for loan losses	1,139	1,945
Noninterest income	510	495
Noninterest expense	5,763	4,276
Income tax expense (benefit)	(331)	(345)
Net loss	(2,383)	(1,657)
PER COMMON SHARE		
Basic loss per share	\$(1.26)	\$(0.88)
Diluted loss per share	\$(1.26)	\$(0.88)
Book value per share	\$6.57	\$7.88
AT YEAR END		
Loans, net	\$75,760	\$81,328
Earning assets	\$114,737	\$110,331
Assets	\$124,846	\$118,067
Deposits	\$98,854	\$92,384
Stockholders' equity	\$12,437	\$14,914
Common shares outstanding	1,891,426	1,891,426
AVERAGE BALANCES		
Loans, gross	\$79,063	\$ 77,055
Earning assets	\$109,622	\$106,892
Assets	\$119,305	\$113,235
Deposits	\$84,630	\$73,184
Stockholders' equity	\$13,731	\$16,106
Weighted average shares outstanding	1,891,426	1,891,426
KEY PERFORMANCE RATIOS		
Return on average assets	(2.00)%	(1.46)%
Return on average stockholders' equity	(17.35)%	(10.29)%
Net interest margin	3.35%	3.48%
Average equity to average assets	11.51%	14.22%

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated balance sheet as of December 31, 2009 (the “Pro Forma Balance Sheet”), and the unaudited pro forma consolidated statements of operations for the year ended December 31, 2009 (the “Pro Forma Statements of Operations”), show the pro forma effect of the Reclassification. Pro forma adjustments to the Pro Forma Balance Sheet are computed as if the Reclassification occurred at December 31, 2009. The following financial statements do not reflect any anticipated cost savings that may be realized by Community National Bank after consummation of the Reclassification.

The pro forma information does not purport to represent what Community National Bank’s financial condition or results of operations actually would have been if the Reclassification had occurred on December 31, 2009.

[CONTINUED ON FOLLOWING PAGE]

Community National Bank of the Lakeway Area
Pro Forma Consolidated Balance Sheet
For the Year Ended December 31, 2009
(Dollars in thousands)
(Unaudited)

Assets			
Cash and due from banks	\$ 2,596	(19)	\$ 2,577
Federal funds sold	4,590		4,590
Total cash and cash equivalents	7,186		7,167
			-
Securities	33,558		33,558
Equity investments, at cost	830		830
Loans, net	75,760		75,760
Premises and equipment	3,048		3,048
Interest receivable	542		542
Foreclosed assets	1,827		1,827
Other assets	2,095		2,095
Total assets	\$ 124,846		\$ 124,827
Liabilities and stockholders' equity			
			-
Liabilities:			-
Deposits	\$ 98,854		\$ 98,854
Securities sold under agreements to repurchase	2,584		2,584
Advances from Federal Home Loan Bank	10,500		10,500
Interest payable	346		346
Other liabilities	125		125
Total liabilities	112,409		112,409
Stockholders' equity:			
Common Stock, Par value \$1, authorized 4,000,000 shares; issued and outstanding 1,891,426 shares at			
December 31, 2009 (1,752,127 pro forma)	1,891	(139)	1,752
Preferred stock series A	-	117	117
Preferred stock series B	-	22	22
Capital in excess of par value	17,042		17,042
Retained deficit	(6,501)	(19)	(6,520)
Accumulated other comprehensive income	5		5
Total stockholders' equity	12,437		12,418
Total liabilities and stockholders' equity	\$ 124,846		\$ 124,827

Community National Bank of the Lakeway Area
Pro Forma Consolidated Statements of Income
For the Year Ended December 31, 2009
(In thousands, except per share data)
(Unaudited)

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Interest income	\$6,238		\$6,238
Interest expense	2,560		2,560
Net interest income	3,678		3,678
Provision for loan losses	1,139		1,139
Other income	510		510
Other expense	5,763	(19)	5,744
Earnings before income taxes	\$(2,714)		\$(2,695)
Income tax benefit	331		331
Net income	\$(2,383)		\$(2,364)
Basic earnings per common share	\$(1.26)		\$(1.35)
Diluted earnings per share	\$(1.26)		\$(1.35)

The proposed transaction would not have an effect on our historical statement of income as all transaction costs would be financed with existing non-interest bearing cash.

See accompanying notes to pro forma consolidated financial statements.

COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA
Notes to Consolidated Pro Forma Financial Statements

- (1) The unaudited pro forma consolidated balance sheet as of the year ended December 31, 2009 and consolidated statements of operations for the year ended December 31, 2009 has been prepared based on the historical consolidated balance sheets and statements of income, which give effect to the Reclassification as if it had occurred on the earliest date presented.
- (2) In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position and results for the period presented have been included. Adjustments, if any, are normal and recurring nature.

APPENDIX A

TERMS OF THE CLASS A PREFERRED STOCK AND THE CLASS B PREFERRED STOCK

(A) **Provisions Applicable Only to the Class A Preferred Stock.** The association shall have the authority, exercisable by its board of directors, to issue up to 200,000 shares of Class A Preferred Stock with the following preferences and rights:

(1) *Voting Rights.* Each outstanding share of Class A Preferred Stock shall only have voting rights on proposals that (a) change the rights and privileges of the Class A Preferred Stock; (b) relate to a business transaction, as otherwise described in ARTICLE IX of these Articles; or (c) are otherwise required by law. On those matters on which the holders of the Class A Preferred Stock are entitled to vote, the holders have the right to one vote for each such share, and are entitled to receive notice of any shareholders' meeting held to act upon such matters in accordance with the Bylaws of the association.

(2) *Dividends.* The holders of shares of Class A Preferred Stock shall be entitled to a preference in the distribution of dividends, when, as and if declared by the board of directors, and shall receive out of any assets of the association legally available therefore, dividends in a per share amount equal to 105% of that paid on the shares of common stock prior to the payment of any dividends to the holders of the common stock. The shares of Class A Preferred Stock shall be non-cumulative with respect to dividends, and the association shall have the right to waive the declaration of payment of dividends. Any dividends waived by the association shall not accumulate to future periods and shall not represent a contingent liability of the association.

(3) *Liquidation or Dissolution.* In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the association, then, subsequent to any distribution or payment made to the holders of the Class B Preferred Stock and before any distribution or payment shall be made to the holders of the common stock, the holders of Class A Preferred Stock shall be entitled to be paid in full (on a per share basis) the greater of (a) the net book value of the shares of Class A Preferred Stock as determined under generally accepted accounting principles; (b) the amount paid to the holders of common stock; or (c) the sum of \$10.00 per share out of such funds legally available therefor. To the extent such payment shall have been made in full, first to the holders of the Class B Preferred Stock, and then to the holders of the Class A Preferred Stock and any parity stock, the remaining assets and funds of the association shall be distributed among the holders of the common stock, according to their respective rights and preferences and in each case according to their respective shares. If upon liquidation, dissolution or winding up, the amounts so payable are not paid in full to the holders of all outstanding shares of Class A Preferred Stock, and all other shares on a parity with the Class A Preferred Stock, then the holders of Class A Preferred Stock and all other shares on a parity with the Class A Preferred Stock will share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither a business transaction as otherwise described in ARTICLE IX of these Articles, nor any purchase or redemption of stock of the association of any class shall be deemed to be a liquidation, dissolution or winding up of the association within the meaning of the provisions of this Section 3.

(4) *Convertibility.* The Class A Preferred Stock shall automatically convert into shares of the association's common stock, on the basis of one share of common stock for each

share of Class A Preferred Stock, immediately prior to the closing of a business transaction as otherwise described in ARTICLE IX of these Articles; provided, however, that such conversion shall be conditioned upon the closing of any such a business transaction or upon the liquidation of the association, and the holder entitled to receive the common stock upon conversion of the Class A Preferred Stock shall be deemed to have converted such shares of Class A Preferred Stock immediately prior to the closing of such business transaction or the liquidation of the association.

(5) *Antidilution Adjustments.* If the outstanding shares of common stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the association or of any other corporation by reason of any merger, consolidation, liquidation, reclassification, recapitalization, stock split up, combination of shares, or stock dividend, appropriate adjustment shall be made by the board of directors of the association in the number, and relative terms, of the shares of Class A Preferred Stock.

(6) *Conversion/Redemption/Preemptive Rights.* Other than as provided herein, the Class A Preferred Stock shall have no conversion rights, redemption rights or preemptive rights.

(B) **Provisions Applicable Only to Class B Preferred Stock.** The association shall have the authority to issue up to 100,000 shares of Class B Preferred Stock with the following preferences and rights.

(1) *Voting Rights.* Each outstanding share of Class B Preferred Stock shall only have voting rights on proposals that change the rights and privileges of the Class B Preferred Stock or that are otherwise required by law. On those matters on which the holders of the Class B Preferred Stock are entitled to vote, the holders have the right to one vote for each such share, and are entitled to receive notice of any shareholders' meeting held to act upon such matters in accordance with the bylaws of the Association.

(2) *Dividends.* The holders of shares of Class B Preferred Stock shall be entitled to a preference in the distribution of dividends, when, as and if declared by the Board of Directors, and shall receive out of any assets of the Association legally available therefore, dividends in a per share amount equal to 110% of that paid on the shares of common stock, with said dividend paid prior to the payment of any dividends to the holders of the common stock. The shares of Class B Preferred Stock shall be non-cumulative with respect to dividends, and the association shall have the right to waive the declaration of payment of dividends. Any dividends waived by the association shall not accumulate to future periods and shall not represent a contingent liability of the Association.

(3) *Liquidation or Dissolution.* In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the association, then, before any distribution or payment shall be made to the holders of the Class A Preferred Stock or the common stock, the holders of Class B Preferred Stock shall be entitled to be paid in full (on a per share basis) the greater of (a) the net book value of the shares of Class B Preferred Stock as determined under generally accepted accounting principles; (b) the amount paid to the holders of common stock; or (c) the sum of \$10.00 per share out of such funds legally available therefor. To the extent such payment shall have been made in full to the holders of the Class B Preferred Stock and any parity stock, the remaining assets and funds of the association shall be distributed among the holders of the Class A Preferred Stock and the common stock, according to their respective rights and preferences and in each case according to their respective shares. If upon liquidation, dissolution or winding up, the amounts so payable are not paid in full to the

holders of all outstanding shares of Class B Preferred Stock, and all other shares on a parity with the Class B Preferred Stock, then the holders of Class B Preferred Stock and all other shares on a parity with the Class B Preferred Stock will share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither a business transaction as otherwise described in ARTICLE IX of these Articles, nor any purchase or redemption of stock of the association of any class shall be deemed to be a liquidation, dissolution or winding up of the association within the meaning of the provisions of this Section 3.

(4) *Convertibility.* The Class B Preferred Stock shall automatically convert into shares of the association's common stock, on the basis of one share of common stock for each share of Class B Preferred Stock, immediately prior to the closing of a business transaction as otherwise described in ARTICLE IX of these Articles; provided, however, that such conversion shall be conditioned upon the closing of any such a business transaction or upon the liquidation of the association, and the holder entitled to receive the common stock upon conversion of the Class B Preferred Stock shall be deemed to have converted such shares of Class B Preferred Stock immediately prior to the closing of such business transaction or the liquidation of the association.

(5) *Antidilution Adjustments.* If the outstanding shares of common stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the association or of any other corporation by reason of any merger, consolidation, liquidation, reclassification, recapitalization, stock split up, combination of shares, or stock dividend, appropriate adjustment shall be made by the board of directors of the association in the number, and relative terms, of the shares of Class B Preferred Stock.

(6) *Conversion/Redemption/Preemptive Rights.* Other than as provided herein, the Class B Preferred Stock shall have no conversion rights, redemption rights or preemptive rights.

(C) **Notices.** All notices required or permitted to be given by the association with respect to the common stock, Class A Preferred Stock and Class B Preferred Stock shall be in writing, and if delivered by first class United States mail, postage prepaid, to the holders of the appropriate stock at their last addresses as they shall appear upon the books of the association, shall be conclusively presumed to have been duly given, whether or not the shareholder actually receives such notice; provided, however, that failure to give such notice by mail, or any defect in such notice, to the holders of any stock designated for repurchase, shall not affect the validity of the proceedings for the repurchase of any other shares of Class A Preferred Stock or Class B Preferred Stock.

APPENDIX B

DISSENTERS' RIGHTS STATUTES

Article 23 of the Tennessee Business Corporation Act Excerpt Relating to Dissenters' Rights

Part 1. Right to Dissent and Obtain Payment for Shares

48-23-101. Definitions.

As used in this article, the term:

- (1) "Beneficial shareholder" means the person who is a beneficial owner of shares held by a nominee as the record shareholder;
- (2) "Corporation" means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer;
- (3) "Dissenter" means a shareholder who is entitled to dissent from corporate action under § 48-23-102 and who exercises that right when and in the manner required by part 2 of this chapter;
- (4) "Fair value", with respect to a dissenter's shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action;
- (5) "Interest" means interest from the effective date of the corporate action that gave rise to the shareholder's right to dissent until the date of payment, at the average auction rate paid on United States treasury bills with a maturity of six (6) months (or the closest maturity thereto) as of the auction date for such treasury bills closest to such effective date;
- (6) "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation; and
- (7) "Shareholder" means the record shareholder or the beneficial shareholder.

48-23-102. Right to dissent.

(a) A shareholder is entitled to dissent from, and obtain payment of the fair value of the shareholder's shares in the event of, any of the following corporate actions:

- (1) Consummation of a plan of merger to which the corporation is a party:
 - (A) If shareholder approval is required for the merger by § 48-21-104 or the charter and the shareholder is entitled to vote on the merger; or
 - (B) If the corporation is a subsidiary that is merged with its parent under § 48-21-105;
- (2) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;
- (3) Consummation of a sale or exchange of all, or substantially all, of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote on the sale or exchange, including a sale in dissolution, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one (1) year after the date of sale;
- (4) An amendment of the charter that materially and adversely affects rights in respect of a dissenter's shares because it:
 - (A) Alters or abolishes a preferential right of the shares;
 - (B) Creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares;
 - (C) Alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities;
 - (D) Excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights; or
 - (E) Reduces the number of shares owned by the shareholder to a fraction of a share, if the fractional share is to be acquired for cash under § [48-16-104](#); or

- (5) Any corporate action taken pursuant to a shareholder vote to the extent the charter, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.
- (b) A shareholder entitled to dissent and obtain payment for the shareholder's shares under this chapter may not challenge the corporate action creating the shareholder's entitlement unless the action is unlawful or fraudulent with respect to the shareholder or the corporation.
- (c) Notwithstanding the provisions of subsection (a), no shareholder may dissent as to any shares of a security which, as of the date of the effectuation of the transaction which would otherwise give rise to dissenters' rights, is listed on an exchange registered under § 6 of the Securities Exchange Act of 1934, as amended, or is a "national market system security," as defined in rules promulgated pursuant to the Securities Exchange Act of 1934, as amended.

48-23-103. Dissent by nominees and beneficial owners.

- (a) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in the record shareholder's name only if the record shareholder dissents with respect to all shares beneficially owned by any one (1) person and notifies the corporation in writing of the name and address of each person on whose behalf the record shareholder asserts dissenters' rights. The rights of a partial dissenter under this subsection are determined as if the shares as to which the partial dissenter dissents and the partial dissenter's other shares were registered in the names of different shareholders.
- (b) A beneficial shareholder may assert dissenters' rights as to shares of any one (1) or more classes held on the beneficial shareholder's behalf only if the beneficial shareholder:
 - (1) Submits to the corporation the record shareholder's written consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights; and
 - (2) Does so with respect to all shares of the same class of which the person is the beneficial shareholder or over which the person has power to direct the vote.

Part 2. Procedure for Exercise of Dissenters' Rights

48-23-201. Notice of dissenters' rights.

- (a) If proposed corporate action creating dissenters' rights under § 48-23-102 is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this chapter and be accompanied by a copy of this chapter.
- (b) If corporate action creating dissenters' rights under § 48-23-102 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters' rights that the action was taken and send them the dissenters' notice described in § 48-23-203.
- (c) A corporation's failure to give notice pursuant to this section will not invalidate the corporate action.

48-23-202. Notice of intent to demand payment.

- (a) If proposed corporate action creating dissenters' rights under § 48-23-102 is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert dissenters' rights must:
 - (1) Deliver to the corporation before the vote is taken written notice of his intent to demand payment for the shareholder's shares if the proposed action is effectuated; and
 - (2) Not vote the shareholder's shares in favor of the proposed action. No such written notice of intent to demand payment is required of any shareholder to whom the corporation failed to provide the notice required by § [48-23-201](#).
- (b) A shareholder who does not satisfy the requirements of subsection (a) of this Code section is not entitled to payment for his shares under this chapter.

48-23-203. Dissenters' notice.

- (a) If proposed corporate action creating dissenters' rights under § 48-23-102 is authorized at a shareholders' meeting, the corporation shall deliver a written dissenters' notice to all shareholders who satisfied the requirements of § 48-23-202.
- (b) The dissenters' notice must be sent no later than ten (10) days after the corporate action was authorized by the shareholders or effectuated, whichever is the first to occur, and must:
 - (1) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;
 - (2) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;
 - (3) Supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the principal terms of the proposed corporate action and requires that the person asserting dissenters' rights certify whether or not the person asserting dissenters' rights acquired beneficial ownership of the shares before that date;
 - (4) Set a date by which the corporation must receive the payment demand, which date may not be fewer than one (1) nor more than two (2) months after the date the subsection (a) notice is delivered; and
 - (5) Be accompanied by a copy of this article.

48-23-204. Duty to demand payment.

- (a) A shareholder sent a dissenters' notice described in § [48-23-203](#) must demand payment, certify whether the shareholder acquired beneficial ownership of the shares before the date required to be set forth in the dissenters' notice pursuant to § [48-23-203](#)(b)(3), and deposit the shareholder's certificates in accordance with the terms of the notice.
- (b) The shareholder who demands payment and deposits the shareholder's share certificates under subsection (a) retains all other rights of a shareholder until these rights are cancelled or modified by the effectuation of the proposed corporate action.
- (c) A shareholder who does not demand payment or deposit the shareholder's share certificates where required, each by the date set in the dissenters' notice, is not entitled to payment for the shareholder's shares under this chapter.
- (d) A demand for payment filed by a shareholder may not be withdrawn unless the corporation with which it was filed, or the surviving corporation, consents thereto.

48-23-205. Share restrictions.

- (a) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is taken or the restrictions released under § 48-23-207.
- (b) The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder until these rights are canceled or modified by the effectuation of the proposed corporate action.

48-23-206. Payment.

- (a) Except as provided in § [48-23-208](#), as soon as the proposed corporate action is effectuated, or upon receipt of a payment demand, whichever is later, the corporation shall pay each dissenter who complied with § [48-23-204](#) the amount the corporation estimates to be the fair value of each dissenter's shares, plus accrued interest.
- (b) The payment must be accompanied by:
 - (1) The corporation's balance sheet as of the end of a fiscal year ending not more than sixteen (16) months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;
 - (2) A statement of the corporation's estimate of the fair value of the shares;
 - (3) An explanation of how the interest was calculated;
 - (4) A statement of the dissenter's right to demand payment under § [48-23-209](#); and
 - (5) A copy of this chapter if the corporation has not previously sent a copy of this chapter to the shareholder pursuant to § [48-23-201](#) or § [48-23-203](#).

48-23-207. Failure to take action.

- (a) If the corporation does not effectuate the proposed action that gave rise to the dissenters' rights within two (2) months after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.
- (b) If, after returning deposited certificates and releasing transfer restrictions, the corporation effectuates the proposed action, it must send a new dissenters' notice under § [48-23-203](#) and repeat the payment demand procedure.

48-23-208. After-acquired shares.

- (a) A corporation may elect to withhold payment required by § [48-23-206](#) from a dissenter unless the dissenter was the beneficial owner of the shares before the date set forth in the dissenters' notice as the date of the first announcement to news media or to shareholders of the principal terms of the proposed corporate action.
- (b) To the extent the corporation elects to withhold payment under subsection (a), after effectuating the proposed corporate action, it shall estimate the fair value of the shares, plus accrued interest, and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of the dissenter's demand. The corporation shall send with its offer a statement of its estimate of the fair value of the shares, an explanation of how the interest was calculated, and a statement of the dissenter's right to demand payment under § [48-23-209](#).

48-23-209. Procedure if shareholder dissatisfied with payment or offer.

- (a) A dissenter may notify the corporation in writing of the dissenter's own estimate of the fair value of the dissenter's shares and amount of interest due, and demand payment of the dissenter's estimate (less any payment under § [48-23-206](#)), or reject the corporation's offer under § [48-23-208](#) and demand payment of the fair value of the dissenter's shares and interest due, if:
 - (1) The dissenter believes that the amount paid under § [48-23-206](#) or offered under § [48-23-208](#) is less than the fair value of the dissenter's shares or that the interest due is incorrectly calculated;
 - (2) The corporation fails to make payment under § [48-23-206](#) within two (2) months after the date set for demanding payment; or
 - (3) The corporation, having failed to effectuate the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within two (2) months after the date set for demanding payment.
- (b) A dissenter waives the dissenter's right to demand payment under this section unless the dissenter notifies the corporation of the dissenter's demand in writing under subsection (a) within one (1) month after the corporation made or offered payment for the dissenter's shares.

Part 3. Judicial Appraisal of Shares

48-23-301. Court action.

- (a) If a demand for payment under § [48-23-209](#) remains unsettled, the corporation shall commence a proceeding within two (2) months after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the two-month period, it shall pay each dissenter whose demand remains unsettled the amount demanded.
- (b) The corporation shall commence the proceeding in a court of record having equity jurisdiction in the county where the corporation's principal office (or, if none in this state, its registered office) is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.
- (c) The corporation shall make all dissenters (whether or not residents of this state) whose demands remain unsettled, parties to the proceeding as in an action against their shares and all parties must be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.
- (d) The jurisdiction of the court in which the proceeding is commenced under subsection (b) is plenary and exclusive. The court may appoint one (1) or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them, or

in any amendment to it. The dissenters are entitled to the same discovery rights as parties in other civil proceedings.

- (e) Each dissenter made a party to the proceeding is entitled to judgment:
 - (1) For the amount, if any, by which the court finds the fair value of the dissenter's shares, plus accrued interest, exceeds the amount paid by the corporation; or
 - (2) For the fair value, plus accrued interest, of the dissenter's after-acquired shares for which the corporation elected to withhold payment under § [48-23-208](#).

48-23-302. Court costs and counsel fees.

- (a) The court in an appraisal proceeding commenced under § [48-23-301](#) shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under § [48-23-209](#).
- (b) The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable against:
 - (1) The corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of part 2 of this chapter; or
 - (2) Either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this chapter.
- (c) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded to the dissenters who were benefited.

**Title 12 of the United States Code
Chapter 2 – National Banks**

12 U.S.C. § 214a(b). Rights of dissenting stockholders.

A shareholder of a national banking association who votes against the conversion, merger, or consolidation, or who has given notice in writing to the bank at or prior to such meeting that he dissents from the plan, shall be entitled to receive in cash the value of the shares held by him, if and when the conversion, merger, or consolidation is consummated, upon written request made to the resulting State bank at any time before thirty days after the date of consummation of such conversion, merger, or consolidation, accompanied by the surrender of his stock certificates. The value of such shares shall be determined as of the date on which the shareholders' meeting was held authorizing the conversion, merger, or consolidation, by a committee of three persons, one to be selected by majority vote of the dissenting shareholders entitled to receive the value of their shares, one by the directors of the resulting State bank, and the third by the two so chosen. The valuation agreed upon by any two of three appraisers thus chosen shall govern; but, if the value so fixed shall not be satisfactory to any dissenting shareholder who has requested payment as provided herein, such shareholder may within five days after being notified of the appraised value of his shares appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding as to the value of the shares of the appellant. If, within ninety days from the date of consummation of the conversion, merger, or consolidation, for any reason one or more of the appraisers is not selected as herein provided, or the appraisers fail to determine the value of such shares, the Comptroller shall upon written request of any interested party, cause an appraisal to be made, which shall be final and binding on all parties. The expenses of the Comptroller in making the reappraisal, or the appraisal as the case may be, shall be paid by the resulting State bank. The plan of conversion, merger, or consolidation shall provide the manner of disposing of the shares of the resulting State bank not taken by the dissenting shareholders of the national banking association.

12 U.S.C. § 215(b). Liability of consolidated association; capital stock; dissenting shareholders.

The consolidated association shall be liable for all liabilities of the respective consolidating banks or associations. The capital stock of such consolidated association shall not be less than that required under existing law for the organization of a national bank in the place in which it is located: Provided, That if such consolidation shall be voted for at such meetings by the necessary majorities of the shareholders of each association and State bank proposing to consolidate, and thereafter the consolidation shall be approved by the Comptroller, any shareholder of any of the associations or State banks so consolidated who has voted against such consolidation at the meeting of the association or bank of which he is a stockholder, or who has given notice in writing at or prior to such meeting to the presiding officer that he dissents from the plan of consolidation, shall be entitled to receive the value of the shares so held by him when such consolidation is approved by the Comptroller upon written request made to the consolidated association at any time before thirty days after the date of consummation of the consolidation, accompanied by the surrender of his stock certificates.

12 U.S.C. § 215(c). Valuation of shares.

The value of the shares of any dissenting shareholder shall be ascertained, as of the effective date of the consolidation, by an appraisal made by a committee of three persons, composed of (1) one selected by the vote of the holders of the majority of the stock, the owners of which are entitled to payment in cash; (2) one selected by the directors of the consolidated banking association; and (3) one selected by the two so selected. The valuation agreed upon by any two of the three appraisers shall govern. If the value so fixed shall not be satisfactory to any dissenting shareholder who has requested payment, that shareholder may, within five days after being notified of the appraised value of his shares, appeal to the Comptroller, who shall cause a reappraisal to be made which shall be final and binding as to the value of the shares of the appellant.

12 U.S.C. § 215(d). Appraisal by Comptroller; expenses of consolidated association; sale and resale of shares; State appraisal and consolidation law.

If, within ninety days from the date of consummation of the consolidation, for any reason one or more of the appraisers is not selected as herein provided, or the appraisers fail to determine the value of such shares, the Comptroller shall upon written request of any interested party cause an appraisal to be made which shall be final and binding on all parties. The expenses of the Comptroller in making the reappraisal or the appraisal, as the case may be, shall be paid by the consolidated banking association. The value of the shares ascertained shall be promptly paid to the dissenting shareholders by the consolidated banking association. Within thirty days after payment has been made to all dissenting shareholders as provided for in this section the shares of stock of the consolidated banking association which would have been delivered to such dissenting shareholders had they not requested payment shall be sold by the consolidated banking association at an advertised public auction, unless some other method of sale is approved by the Comptroller, and the consolidated banking association shall have the right to purchase any of such shares at such public auction, if it is the highest bidder therefor, for the purpose of reselling such shares within thirty days thereafter to such person or persons and at such price not less than par as its board of directors by resolution may determine. If the shares are sold at public auction at a price greater than the amount paid to the dissenting shareholders the excess in such sale price shall be paid to such shareholders. The appraisal of such shares of stock in any State bank shall be determined in the manner prescribed by the law of the State in such cases, rather than as provided in this section, if such provision is made in the State law; and no such consolidation shall be in contravention of the law of the State under which such bank is incorporated.

APPENDIX C

**ARTICLES OF AMENDMENT TO THE
ARTICLES OF ASSOCIATION
OF
COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA**

1.

The name of the association is COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA.

2.

The association hereby amends Article V of its Articles of Association by adding the following paragraphs at the end of Article V:

(A) **Provisions Applicable Only to the Class A Preferred Stock.** The association shall have the authority, exercisable by its board of directors, to issue up to 200,000 shares of Class A Preferred Stock with the following preferences and rights:

(1) *Voting Rights.* Each outstanding share of Class A Preferred Stock shall only have voting rights on proposals that (a) change the rights and privileges of the Class A Preferred Stock; (b) relate to a business transaction, as otherwise described in ARTICLE IX of these Articles; or (c) are otherwise required by law. On those matters on which the holders of the Class A Preferred Stock are entitled to vote, the holders have the right to one vote for each such share, and are entitled to receive notice of any shareholders' meeting held to act upon such matters in accordance with the Bylaws of the association.

(2) *Dividends.* The holders of shares of Class A Preferred Stock shall be entitled to a preference in the distribution of dividends, when, as and if declared by the board of directors, and shall receive out of any assets of the association legally available therefore, dividends in a per share amount equal to 105% of that paid on the shares of common stock prior to the payment of any dividends to the holders of the common stock. The shares of Class A Preferred Stock shall be non-cumulative with respect to dividends, and the association shall have the right to waive the declaration of payment of dividends. Any dividends waived by the association shall not accumulate to future periods and shall not represent a contingent liability of the association.

(3) *Liquidation or Dissolution.* In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the association, then, subsequent to any distribution or payment made to the holders of the Class B Preferred Stock and before any distribution or payment shall be made to the holders of the common stock, the holders of Class A Preferred Stock shall be entitled to be paid in full (on a per share basis) the greater of (a) the net book value of the shares of Class A Preferred Stock as determined under generally accepted accounting principles; (b) the amount paid to the holders of common stock; or (c) the sum of \$10.00 per share out of such funds legally available therefor. To the extent such payment shall have been made in full, first to the holders of the Class B Preferred Stock, and then to the holders of the Class A Preferred Stock and any parity stock, the remaining assets and funds of the association shall be

distributed among the holders of the common stock, according to their respective rights and preferences and in each case according to their respective shares. If upon liquidation, dissolution or winding up, the amounts so payable are not paid in full to the holders of all outstanding shares of Class A Preferred Stock, and all other shares on a parity with the Class A Preferred Stock, then the holders of Class A Preferred Stock and all other shares on a parity with the Class A Preferred Stock will share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither a business transaction as otherwise described in ARTICLE IX of these Articles, nor any purchase or redemption of stock of the association of any class shall be deemed to be a liquidation, dissolution or winding up of the association within the meaning of the provisions of this Section 3.

(4) *Convertibility.* The Class A Preferred Stock shall automatically convert into shares of the association's common stock, on the basis of one share of common stock for each share of Class A Preferred Stock, immediately prior to the closing of a business transaction as otherwise described in ARTICLE IX of these Articles; provided, however, that such conversion shall be conditioned upon the closing of any such a business transaction or upon the liquidation of the association, and the holder entitled to receive the common stock upon conversion of the Class A Preferred Stock shall be deemed to have converted such shares of Class A Preferred Stock immediately prior to the closing of such business transaction or the liquidation of the association.

(5) *Antidilution Adjustments.* If the outstanding shares of common stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the association or of any other corporation by reason of any merger, consolidation, liquidation, reclassification, recapitalization, stock split up, combination of shares, or stock dividend, appropriate adjustment shall be made by the board of directors of the association in the number, and relative terms, of the shares of Class A Preferred Stock.

(6) *Conversion/Redemption/Preemptive Rights.* Except than as provided herein, the Class A Preferred Stock shall have no conversion rights, redemption rights or preemptive rights.

(B) **Provisions Applicable Only to Class B Preferred Stock.** The association shall have the authority to issue up to 100,000 shares of Class B Preferred Stock with the following preferences and rights.

(1) *Voting Rights.* Each outstanding share of Class B Preferred Stock shall only have voting rights on proposals that change the rights and privileges of the Class B Preferred Stock or that are otherwise required by law. On those matters on which the holders of the Class B Preferred Stock are entitled to vote, the holders have the right to one vote for each such share, and are entitled to receive notice of any shareholders' meeting held to act upon such matters in accordance with the bylaws of the Association.

(2) *Dividends.* The holders of shares of Class B Preferred Stock shall be entitled to a preference in the distribution of dividends, when, as and if declared by the Board of Directors, and shall receive out of any assets of the Association legally available therefore, dividends in a per share amount equal to 110% of that paid on the shares of common stock, with said dividend paid prior to the payment of any dividends to the

holders of the common stock. The shares of Class B Preferred Stock shall be non-cumulative with respect to dividends, and the association shall have the right to waive the declaration of payment of dividends. Any dividends waived by the association shall not accumulate to future periods and shall not represent a contingent liability of the Association.

(3) *Liquidation or Dissolution.* In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the association, then, before any distribution or payment shall be made to the holders of the Class A Preferred Stock or the common stock, the holders of Class B Preferred Stock shall be entitled to be paid in full (on a per share basis) the greater of (a) the net book value of the shares of Class B Preferred Stock as determined under generally accepted accounting principles; (b) the amount paid to the holders of common stock; or (c) the sum of \$10.00 per share out of such funds legally available therefor. To the extent such payment shall have been made in full to the holders of the Class B Preferred Stock and any parity stock, the remaining assets and funds of the association shall be distributed among the holders of the Class A Preferred Stock and the common stock, according to their respective rights and preferences and in each case according to their respective shares. If upon liquidation, dissolution or winding up, the amounts so payable are not paid in full to the holders of all outstanding shares of Class B Preferred Stock, and all other shares on a parity with the Class B Preferred Stock, then the holders of Class B Preferred Stock and all other shares on a parity with the Class B Preferred Stock will share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither a business transaction as otherwise described in ARTICLE IX of these Articles, nor any purchase or redemption of stock of the association of any class shall be deemed to be a liquidation, dissolution or winding up of the association within the meaning of the provisions of this Section 3.

(4) *Convertibility.* The Class B Preferred Stock shall automatically convert into shares of the association's common stock, on the basis of one share of common stock for each share of Class B Preferred Stock, immediately prior to the closing of a business transaction as otherwise described in ARTICLE IX of these Articles; provided, however, that such conversion shall be conditioned upon the closing of any such a business transaction or upon the liquidation of the association, and the holder entitled to receive the common stock upon conversion of the Class B Preferred Stock shall be deemed to have converted such shares of Class B Preferred Stock immediately prior to the closing of such business transaction or the liquidation of the association.

(5) *Antidilution Adjustments.* If the outstanding shares of common stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the association or of any other corporation by reason of any merger, consolidation, liquidation, reclassification, recapitalization, stock split up, combination of shares, or stock dividend, appropriate adjustment shall be made by the board of directors of the association in the number, and relative terms, of the shares of Class B Preferred Stock.

(6) *Conversion/Redemption/Preemptive Rights.* Except than as provided herein, the Class B Preferred Stock shall have no conversion rights, redemption rights or preemptive rights.

(C) **Notices.** All notices required or permitted to be given by the association with respect to the common stock, Class A Preferred Stock and Class B Preferred Stock shall be in writing, and if delivered by first class United States mail, postage prepaid, to the holders of the appropriate stock at their last addresses as they shall appear upon the books of the association, shall be conclusively presumed to have been duly given, whether or not the shareholder actually receives such notice; provided, however, that failure to give such notice by mail, or any defect in such notice, to the holders of any stock designated for repurchase, shall not affect the validity of the proceedings for the repurchase of any other shares of Class A Preferred Stock or Class B Preferred Stock.

3.

Effective the date hereof, the following ARTICLE XII shall be added to the Articles of Association of the Association:

ARTICLE XII

(a) **Class A Preferred Stock.** Upon the filing of these Articles of Amendment, each share of common stock outstanding immediately prior to such filing owned by a shareholder of record who owns between 200 and 999 shares of common stock shall, by virtue of the filing of these Articles of Amendment and without any action on the part of the holders thereof, be reclassified as Class A Preferred Stock, on the basis of one share of Class A Preferred Stock per each share of common stock so reclassified, which shares of Class A Preferred Stock shall thereupon be duly issued and outstanding, fully paid and non-assessable.

(b) **Class B Preferred Stock.** Upon the filing of these Articles of Amendment, each share of common stock outstanding immediately prior to such filing owned by a shareholder of record who owns fewer than 200 shares of common stock shall, by virtue of the filing of these Articles of Amendment and without any action on the part of the holders thereof, be reclassified as Class B Preferred Stock, on the basis of one share of Class B Preferred Stock per each share of common stock so reclassified, which shares of Class B Preferred Stock shall thereupon be duly issued and outstanding, fully paid and non-assessable.

(c) **Common Stock.** Each share of common stock outstanding immediately prior to the filing of these Articles of Amendment owned by a shareholder of record who own 1,000 or more shares of such common stock shall not be reclassified and shall continue in existence as a share of common stock.

4.

These Articles of Amendment were duly approved by the shareholders of the association on _____, 2010, and by the board of directors on March 15, 2010, in accordance with the provisions of 12 U.S.C. §§ 21a, 51a and 59.

**COMMUNITY NATIONAL BANK OF THE
LAKEWAY AREA**

By: _____

Name: Samuel F. Grigsby, Jr.

Title: Chairman and Chief Executive Officer

Revocable Proxy

**COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA
THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR THE
2010 ANNUAL MEETING OF SHAREHOLDERS**

The undersigned hereby appoints Jerry C. Cranford and Eric N. Ward, and each of them, proxies, with full power of substitution, to act for and in the name of the undersigned to vote all shares of Common Stock of Community National Bank of the Lakeway Area (the "Bank"), which the undersigned is entitled to vote at the 2010 Annual Meeting of Shareholders of the Bank, to be held at the Rose Center, 442 West Second North Street, Morristown, Tennessee on Monday, June 21, 2010, at 10:00 a.m., local time, and at any adjournments thereof, as indicated below.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE LISTED PROPOSALS.

1. *Reclassification of Stock.* To amend our Articles of Association to reclassify certain of our shares of existing common stock into Class A Preferred Stock and Class B Preferred Stock for the purpose of discontinuing the registration of our common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

FOR **AGAINST** **ABSTAIN**

2. *Electing Directors.* To elect four (4) directors to serve as Class I Directors of the Bank until the 2013 Annual Meeting of Shareholders and until their successors have been elected and qualified, and to elect one (1) director to serve as a Class III Director of the Bank until the 2012 Annual Meeting of Shareholders and until his successor has been elected and qualified.

FOR ALL **WITHHOLD ALL** **FOR ALL EXCEPT**

INSTRUCTION: To withhold authority to vote for one or more individual nominees, mark "FOR ALL EXCEPT" above, and write the name(s) of the nominee(s) on this line: _____

3. *Ratification of Auditors.* Authority to ratify the appointment of Pershing Yoakley & Associates, P.C. as the independent auditors for the Bank for the fiscal year ending December 31, 2010.

FOR **AGAINST** **ABSTAIN**

4. *Adjournment.* To vote on a proposal to grant our management the authority to adjourn the meeting to another time and date in order to allow the Board of Directors to solicit additional proxies or attendance at the meeting.

FOR **AGAINST** **ABSTAIN**

**THIS PROXY CARD WILL BE VOTED AS DIRECTED. IF NO INSTRUCTIONS ARE SPECIFIED,
THIS PROXY CARD WILL BE VOTED "FOR" EACH OF THE PROPOSALS.**

If any other business is presented to a vote of the shareholders at the Annual Meeting, the undersigned hereby grants the proxies discretionary authority to vote this proxy in accordance with their best judgment. At the present time, the Board of Directors knows of no other business to be presented to a vote of the shareholders at the Annual Meeting.

If the undersigned elects to withdraw this proxy on or before the time of the Annual Meeting or any adjournments of the Annual Meeting and notifies the Secretary of the Bank at or prior to the Annual Meeting of the decision of the undersigned to withdraw this proxy, then the power of the proxies shall be terminated and of no further force and effect.

Please mark, date and sign exactly as your name appears on this proxy card. When shares are held jointly, both holders must sign. When signing as an attorney, executor, administrator, trustee or guardian, please give your full title. If the holder is a corporation or a partnership, the full corporate or partnership name should be signed by a duly authorized officer.

_____, 2010
Date

Signature

Signature, if shares held jointly

Do you plan to attend the Annual Meeting? YES NO