

Edgar Filing: Community Bankers Acquisition Corp. - Form 10-Q

Community Bankers Acquisition Corp.

Form 10-Q

May 20, 2008

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
FORM 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2008**

or

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**001-32590**

*(Commission File No.)*

**COMMUNITY BANKERS ACQUISITION CORP.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

**20-2652949**

*(State or other jurisdiction of incorporation or organization)*

*(I.R.S. Employer Identification No.)*

**9912 Georgetown Pike, Ste. D203**

**Great Falls, Virginia 22066**

*(Address of principal executive offices)*

**(703) 759-0751**

*(Issuer's telephone number, including area code)*

Indicate by mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 15, 2008 there were 9,375,000 shares of the Company's common stock outstanding.



**COMMUNITY BANKERS ACQUISITION CORP.**

**TABLE OF CONTENTS**

**FORM 10-Q**

**March 31, 2008**

**PART I FINANCIAL STATEMENTS**

<u>Item 1. Condensed Financial Statements</u>	1
<u>Balance Sheets (Unaudited)</u>	1
<u>Statements of Income (Unaudited)</u>	2
<u>Statements of Stockholders' Equity (Unaudited)</u>	3
<u>Statements of Cash Flows (Unaudited)</u>	4
<u>Notes to Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	12
<u>Item 4. Controls and Procedures</u>	13

**PART II OTHER INFORMATION**

<u>Item 6. Exhibits</u>	14
<u>SIGNATURES</u>	15

Exhibit 31.1

Exhibit 32.1

**Table of Contents****PART I FINANCIAL STATEMENTS****Item 1. Condensed Financial Statements****COMMUNITY BANKERS ACQUISITION CORP.****(A Corporation in the Development Stage)****BALANCE SHEETS**

	<b>March 31, 2008</b> <b>(Unaudited)</b>	<b>December 31,</b> <b>2007</b> <b>(Audited)</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 63,415	\$ 162,154
Cash and United States Treasury securities held in trust fund	57,957,205	58,452,512
Prepaid expenses	117,900	178,799
Deferred acquisition costs	1,519,189	647,487
<b>Total current assets</b>	<b>59,657,709</b>	<b>59,440,952</b>
Fixed assets, net	49,448	
<b>Total Assets</b>	<b>\$ 59,707,157</b>	<b>\$ 59,440,952</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Income taxes payable	\$	\$ 338,690
Deferred payment to underwriter	2,100,000	2,100,000
Accounts payable and accrued expenses	494,158	
<b>Total Current Liabilities</b>	<b>2,595,158</b>	<b>2,438,690</b>
Common stock, subject to conversion, 1,499,999 shares at conversion value	11,669,992	11,690,502
Commitments		
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, \$0.01 par value		
Authorized 5,000,000 shares; none issued		
Common stock, \$0.01 par value		
Authorized 50,000,000 shares Issued and outstanding, 9,375,000 shares (which includes 1,499,999 shares subject to conversion)		
	93,750	93,750
Additional paid-in capital	43,008,386	42,988,876
Earnings accumulated during the development stage	2,339,871	2,229,134

<b>Total Stockholders Equity</b>	45,442,007		45,311,760
<b>Total Liabilities and Stockholders Equity</b>	\$ 59,707,157	\$	59,440,952

See accompanying notes to condensed financial statements.

Table of Contents

**COMMUNITY BANKERS ACQUISITION CORP.**  
**(A Corporation in the Development Stage)**  
**STATEMENTS OF INCOME**  
**(Unaudited)**

	<b>Three Months Ended March 31, 2008</b>	<b>Three Months Ended March 31, 2007</b>	<b>Cumulative period from April 6, 2005 (inception) to March 31, 2008</b>
Interest on cash and short-term investments held in trust	\$ 404,722	\$ 698,591	\$ 4,617,878
Operating costs	219,825	190,393	826,157
Income before taxes	184,897	508,198	3,791,721
Provision for income taxes	74,160	265,678	1,451,850
Net income	\$ 110,737	\$ 242,520	\$ 2,339,871
Weighted average shares outstanding-basic	9,375,000	9,375,000	6,410,403
Weighted average shares outstanding-diluted	11,822,528	11,681,238	8,857,931
Net income per share-basic	\$ 0.01	\$ 0.03	\$ 0.37
Net income per share-diluted	\$ 0.01	\$ 0.02	\$ 0.26

See accompanying notes to condensed financial statements.

Table of Contents

**COMMUNITY BANKERS ACQUISITION CORP.**  
**(A Corporation in the Development Stage)**  
**STATEMENTS OF STOCKHOLDERS EQUITY**

	Common Stock		Additional	Earnings	
	Shares	Amount	Paid-In	Accumulated	Stockholders
			Capital	During the	Equity
				Development	
				Stage	
<b>Balance at March 31, 2006</b> <b>(audited)</b>	<b>1,875,000</b>	<b>\$ 18,750</b>	<b>\$ 28,125</b>	<b>\$</b>	<b>\$ 46,875</b>
Sale of 7,500,000 units, net of underwriters discount and offering expenses (includes 1,499,999 shares subject to possible conversion)	7,500,000	75,000	54,651,153		54,726,153
Less: proceeds subject to possible redemption of 1,499,999 shares, 19.99% of public shares are subject to redemption			(11,617,934)		(11,617,934)
Proceeds from issuance of option			100		100
Net income				1,124,099	1,124,099
<b>Balance at March 31, 2007</b> <b>(audited)</b>	<b>9,375,000</b>	<b>93,750</b>	<b>43,061,444</b>	<b>1,124,099</b>	<b>44,279,293</b>
Revaluation of shares subject to redemption			(72,568)		(72,568)
Net income				1,105,035	1,105,035
<b>Balance at December 31, 2007</b> <b>(audited)</b>	<b>9,375,000</b>	<b>93,750</b>	<b>42,988,876</b>	<b>2,229,134</b>	<b>45,311,760</b>
Revaluation of shares subject to redemption			19,510		19,510
Net income				110,737	110,737
<b>Balance at March 31, 2008</b> <b>(unaudited)</b>	<b>9,375,000</b>	<b>\$ 93,750</b>	<b>\$ 43,018,386</b>	<b>\$ 2,339,871</b>	<b>\$ 45,442,007</b>

See accompanying notes to condensed financial statements.

**Table of Contents**

**COMMUNITY BANKERS ACQUISITION CORP.**  
**(A Corporation in the Development Stage)**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Three Months Ended March 31, 2008</b>	<b>Three Months Ended March 31, 2007</b>	<b>Cumulative Period April 6, 2005 (inception) to March 31, 2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 110,737	\$ 242,520	\$ 2,339,871
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation expense	499		499
(Increase) in prepaid expenses	(810,803)	26,250	(1,637,089)
Increase (decrease) in accrued expenses and income tax payable	155,468	269,379	494,158
 Net Cash (Used in) Provided by Operating Activities	 (544,099)	 538,149	 1,197,439
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed asset purchases	(49,947)		(49,947)
(Increase) in cash and securities held in trust fund	495,307	(398,561)	(57,957,205)
 Net Cash (Used in) Investing Activities	 445,360	 (398,561)	 (58,007,152)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale of common stock			46,875
Gross proceeds from initial public offering			60,000,000
Proceeds from note payable to stockholder			40,000
Payment of note payable to stockholder			(40,000)
Proceeds from issuance of underwriters purchase option			100
Payment of costs of the public offering			(3,173,847)
 Net Cash Provided by (Used in) Financing Activities			 56,873,128
 NET INCREASE IN CASH	 (98,739)	 139,588	 63,415
 CASH AT BEGINNING OF PERIOD	 162,154	 536,595	



CASH AT END OF PERIOD	\$	63,415	\$	676,183	\$	63,415
NON-CASH FINANCING ACTIVITY						
Accrual of deferred payment to underwriter	\$		\$	2,100,000	\$	2,100,000
Decrease (increase) in value of common stock subject to conversion	\$	99,061	\$	(79,672)	\$	99,061

See accompanying notes to condensed financial statements.

**Table of Contents**

**COMMUNITY BANKERS ACQUISITION CORP.**  
**(A Corporation in the Development Stage)**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**1. ORGANIZATION, BUSINESS OPERATIONS**

The condensed financial statements at March 31, 2008 and for the three-month periods ended March 31, 2008 and March 31, 2007, are unaudited and include the accounts of Community Bankers Acquisition Corp. (a corporation in the development stage) (the Corporation). The condensed balance sheet at December 31, 2007, has been derived from the audited financial statements included in the Corporation's Annual Report on Form 10-K. The results of the Corporation's operations for the interim period are not necessarily indicative of the operating results for the full year. The accompanying unaudited interim consolidated financial statements and related notes should be read in conjunction with the financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2007.

In the opinion of management, all adjustments (consisting of normal accruals) have been made that are necessary to present fairly the financial position of the Corporation as of March 31, 2008, and the results of its operations and its cash flows for the three months ended March 31, 2008 and 2007. Until the announcement on September 6, 2007, that the Corporation had entered into an agreement and plan of merger with a target company, the Corporation's efforts had been primarily organizational, activities relating to its initial public offering and searching for and identifying targets for an initial business combination. Until the consummation of a business combination, the Corporation expects interest earned on the offering proceeds held in trust to be its primary source of income.

The statements and related notes have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations.

The Corporation was incorporated in Delaware on April 6, 2005 as a blank check company whose objective is to merge with or acquire an operating business in the banking industry. As discussed in Note 5, the Corporation issued a press release and filed a Current Report on Form 8-K on September 7, 2007, reporting that the Corporation has entered into an Agreement and Plan of Merger with TransCommunity Financial Corporation. The Corporation's fiscal year end has been changed from March 31 to December 31.

The registration statement for the Corporation's initial public offering (Offering) was declared effective June 5, 2006. The Corporation consummated the Offering on June 8, 2006 and received net proceeds of \$54,950,000 which is discussed in Note 2. The Corporation's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds are intended to be generally applied toward consummating a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business whose objective is to operate a commercial bank or bank holding company (Business Combination). There is no assurance that the Corporation will be able to successfully effect a Business Combination. Upon the closing of the Offering, \$56,450,000 of the proceeds, including \$2,100,000 attributable to the underwriters discount which the representatives of the underwriters have agreed to defer until the initial Business Combination, are being held in a trust account (Trust Fund) and invested in U.S. government securities or other high-quality, short term interest-bearing investments, until the earlier of (i) the consummation of its first Business Combination or (ii) distribution of the Trust Account as described below; provided, however, that up to \$1,129,000 of interest income, net of taxes payable on interest earned on the Trust Account, may be released to the Corporation periodically to cover its operating expenses. The remaining proceeds and any interest released to the Corporation to cover its operating expenses will be used to pay for business, legal and accounting due diligence on prospective mergers or acquisitions and continuing general and administrative expenses. The Corporation, after signing a definitive agreement for the Business Combination, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the outstanding stock excluding, for this purpose, those persons who were stockholders immediately prior to the Offering, both vote against the Business Combination and exercise their conversion rights, the Business Combination will not be consummated. All of the Corporation's stockholders prior to the Offering, including all of the officers and directors of the Corporation (Initial Stockholders), have agreed to vote all of their founding shares of

common stock either for or against the Business Combination as determined by the majority of the votes cast by the holders of the common stock who purchase shares sold in the Offering ( Public Stockholders ) with respect to a Business Combination. After consummation of the Corporation s first Business Combination, these voting safeguards no longer apply.

**Table of Contents**

With respect to the first Business Combination which is approved and consummated, any Public Stockholder, other than the Corporation's Initial Stockholders, who votes against the Business Combination may demand that the Corporation redeem his or her shares. The per share redemption price will equal the amount in the Trust Fund as of the record date for determination of stockholders entitled to vote on the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek redemption of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by Initial Stockholders.

The Corporation's Certificate of Incorporation provides that in the event that the Corporation does not consummate a Business Combination by the latter of (i) 18 months after the consummation of the Offering or (ii) 24 months after the consummation of the Offering in the event that either a letter of intent, an agreement in principle or a definitive agreement to complete the Business Combination was executed but was not consummated within such 18-month period (such later date being referred to as the Termination Date), the board of directors will adopt a resolution, within 15 days thereafter, finding the Corporation's dissolution advisable and provide notice as promptly thereafter as practicable to stockholders in connection with our dissolution in accordance with Section 275 of the Delaware General Corporation Law. In the event that the Corporation is so dissolved, the Corporation shall promptly adopt and implement a plan of distribution which provides that only the holders of shares sold in the Offering shall be entitled to receive liquidating distributions and the Corporation shall pay no liquidating distributions with respect to any other shares of capital stock of the Corporation. In the event of liquidation, it is likely that the per share value of residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering (assuming no value is attributed to the Redeemable Warrants contained in the Units sold in the Offering as described in Note 2).

**2. INITIAL PUBLIC OFFERING**

On June 8, 2006, the Corporation sold 7,500,000 units ( Units ) in the Offering. Each Unit consists of one share of the Corporation's common stock, \$0.01 par value, and one Redeemable Common Stock Purchase Warrant ( Warrant ). Each Warrant will entitle the holder to purchase from the Corporation one share of common stock at an exercise price of \$5.00 commencing on the completion of a Business Combination and expiring five years from the date of the Offering. The Warrants will be redeemable by the Corporation at a price of \$0.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of the redemption is given.

In addition, the Corporation sold to I-Bankers Securities, Inc., Maxim Group LLC and Legend Merchant Group, Inc. or their designees, for \$100, an option to purchase up to 525,000 units in the aggregate. The units issuable upon exercise of this option are identical to those offered in this Offering, except that each of the warrants underlying this option entitles the holder to purchase one share of common stock at a price of \$7.50. This option is exercisable at \$10.00 per unit commencing on the later of the consummation of a Business Combination or one year from the date of the Offering. This option expires June 4, 2011. In lieu of the payment of the exercise price, this option may be converted into units on a net-share settlement or cashless exercise basis to the extent that the market value of the units at the time of conversion exceeds the exercise price of this option. This option may only be exercised or converted by the option holder and cannot be redeemed by the Corporation for cash.

The sale of the option to the representatives of the underwriters is accounted for as an equity transaction in accordance with Emerging Issues Task Force No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock*, and therefore measured at its fair value on the date of the sale in accordance with Statements of Financial Accounting Standards No. 123 (revised 2004), *Share-based Payment*, which resulted in an increase in the Corporation's cash position and stockholders' equity by the \$100 proceeds from the sale. The Corporation accounted for the fair value of the option as an expense of the Offering. The Corporation has determined based upon a trinomial model that the estimated fair value of the option on the date of sale was approximately \$2.4145 per unit or an aggregate of \$1,267,613 assuming an expected life of five years, volatility of 32.371% and a risk-free interest rate of 4.929%. Although an expected life of five years was used, if the Corporation

does not consummate a Business Combination within the prescribed time period and liquidate, this option would become worthless.

## **Table of Contents**

Because the Corporation does not have a trading history, the Corporation estimated the potential volatility of its common stock price using the average volatility of ten publicly-traded banking institutions with market capitalizations ranging from \$64 million to \$288 million with an average of \$149 million. The Corporation believes that the average volatility of these representative institutions is a reasonable benchmark to use in estimating the expected volatility of its common stock after consummation of a Business Combination, because these sample institutions are operating banks or bank holding companies that are similar in size to target business acquisitions. The volatility calculation of 32.371% was derived using the volatility of representative banks. This calculation used the daily closing prices for the five year period ended April 30, 2006. Using a higher volatility would have the effect of increasing the implied value of this option.

Pursuant to Rule 2710(g)(1) of the FINRA Conduct Rule, the option to purchase 525,000 units is deemed to be underwriting compensation and therefore upon exercise the underlying shares and warrants are subject to a 180-day lock-up. Additionally, the option may not be sold, transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180-day period) following the date of the Offering.

Although this option and its underlying securities have been registered by the Corporation, the Corporation has granted to the holders of this option demand and piggy back registration rights until the later of five years from the date of the Offering or one year after the warrants are exercised with respect to the securities directly and indirectly issuable upon exercise of this option. The Corporation will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of this option shall be adjusted in certain circumstances including in the event of a stock dividend, or the Corporation's recapitalization, reorganization, merger or consolidation. However, no adjustments to this option will be made for issuances of common stock at a price below the exercise price of this option.

### **3. RELATED PARTY TRANSACTIONS**

The Corporation presently occupies office space provided by an affiliate of the Corporation's president and an Initial Stockholder. Such affiliate has agreed that, until the acquisition of a target business by the Corporation, it will make such office space, as well as certain office and secretarial services, available to the Corporation, as may be required by the Corporation from time to time. The Corporation has agreed to pay such affiliate \$7,500 per month for such services commencing June 5, 2006. At March 31, 2008, an aggregate of \$180,000 has been paid.

### **4. CAPITAL STOCK**

#### ***Common Stock***

The Corporation is authorized to issue 50,000,000 shares of common stock. Stockholders are entitled to one vote for each share held of record on all matters to be voted on by stockholders. Stockholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock, except that Public Stockholders have the right to have their shares of common stock converted to cash equal to their pro rata share of the trust fund if they both elect such conversion within the prescribed time period and they subsequently vote against the Business Combination and the Business Combination is ultimately approved and completed. Assuming the Business Combination is not timely completed and the Corporation's dissolution is approved by our stockholders in accordance with Delaware law, Public Stockholders will be entitled to receive their proportionate share of the Trust Fund (including any interest not released to us, net of taxes, and the deferred underwriting discount). In addition, Public Stockholders will be entitled to receive a pro rata portion of our remaining assets not held in trust, less amounts we pay, or reserve to pay, for all of our liabilities and obligations. Initial Stockholders have agreed to waive their rights to share in any liquidating distribution with respect to common stock owned by them prior to consummation of the Offering in the event the Corporation is not able to timely complete a Business Combination.

Pursuant to letter agreements with the Corporation, the Initial Stockholders have waived their right to receive distributions with respect to their founding shares upon the Corporation's liquidation.

#### ***Preferred Stock***

The Corporation is authorized to issue 5,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

The agreement with the underwriters prohibits the Corporation, prior to a Business Combination, from issuing preferred stock without the consent of the Representatives of the underwriters.

**Table of Contents**

**5. PROPOSED BUSINESS COMBINATION AND MERGER**

***Proposed Business Combination***

On September 5, 2007, the Corporation entered into an Agreement and Plan of Merger (the *Merger Agreement*) with TransCommunity Financial Corporation ( *TFC* ). The Merger Agreement sets forth the terms and conditions of the Company's acquisition of TFC through the merger of TFC with and into the Company (the *Merger* ). TransCommunity Bank, N.A., a wholly owned subsidiary of TFC, will become a wholly owned subsidiary of the surviving company in the Merger.

Under the terms of the Merger Agreement, the Corporation will issue to the shareholders of TFC, for each share of TFC's common stock that they own, 1.4200 shares of the Corporation's common stock (the *Exchange Ratio* ), subject to adjustment as described below. If the daily average closing price for the Corporation's common stock for the 20 consecutive days of trading in such stock ending five days before the closing date is less than \$7.42, the Corporation will increase the Exchange Ratio to the quotient obtained by dividing \$10.5364 by such daily average closing price.

In addition, at the effective time of the Merger, each outstanding option to purchase shares of TFC's common stock under any of TFC's stock plans shall vest pursuant to its terms and shall be converted into an option to acquire the number of shares of the Corporation's common stock equal to the number of shares of common stock underlying the option multiplied by the Exchange Ratio. The exercise price of each option will be adjusted accordingly.

The Merger Agreement also provides for the Corporation's headquarters to move to the headquarters of TFC. Following the consummation of the Merger, the Board of Directors of the surviving company will consist of 10 directors, four of whom will be nominated by the Corporation and six of whom will be nominated by TFC. In addition, the chief executive officer and chief financial officer of TFC will take those positions with the surviving company, and the Corporation's chief executive officer will become the surviving company's chief strategic officer.

Consummation of the Merger is subject to a number of customary conditions including the approval of the Merger by the shareholders of each of TFC and the Corporation and the receipt of all required regulatory approvals. In addition, closing of the transaction is also conditioned on holders of fewer than 20% of the shares of the Corporation's common stock voting against the transaction and electing to convert their shares of the Corporation's common stock into cash. Pursuant to the Merger Agreement either party may terminate the Agreement in the event the Merger is not consummated by May 31, 2008. As a result of the execution of the Merger Agreement, pursuant to the Corporation's certificate of incorporation, it has until June 7, 2008 to complete the transaction before it would otherwise be required to liquidate.

***Proposed Merger***

On December 14, 2007 we announced that we had entered into an Agreement and Plan of Merger dated as of December 13, 2007, (the *BOE Merger Agreement* ) with BOE Financial Services of Virginia, Inc. ( *BOE* ). The BOE Merger Agreement sets forth the terms and conditions of the Company's acquisition of BOE through the merger of BOE with and into the Company (the *BOE Merger* ). Bank of Essex, a Virginia state bank and a wholly owned subsidiary of BOE (the *Bank* ) will become a wholly owned subsidiary of the surviving corporation in the BOE Merger.

Under the terms of the BOE Merger Agreement, we will issue to the stockholders of BOE, for each share of BOE's common stock that they own, 5.7278 shares of our common stock (the *Exchange Ratio* ), subject to adjustment. If the daily average closing price for our common stock for the 20 consecutive days of trading in such stock ending five days before the closing date is less than \$7.42, we will increase the Exchange Ratio to the quotient obtained by dividing \$42.50 by such daily average closing price.

Consummation of the BOE Merger is subject to the consummation of the TransCommunity Merger and a number of customary conditions including the approval of the BOE Merger by the stockholders of BOE and by our stockholders and the receipt of all required regulatory approvals. The BOE Merger is expected to be completed in the second quarter of 2008. Pursuant to the BOE Merger Agreement either party may terminate the BOE Merger Agreement in the event the BOE Merger Agreement is not consummated by June 30, 2008.





**Table of Contents****6. COMMITMENTS**

On September 5, 2007, the Corporation entered into an agreement with Keefe, Bruyette & Woods ( KBW ) to provide financial advisory and investment banking services to the Corporation in connection with the proposed Merger with TransCommunity Financial Corporation discussed in Note 5. The Corporation paid \$125,000 upon execution of the agreement and, in the event that the business combination with TFC is consummated, it will pay a cash fee to KBW at closing of \$375,000.

On December 5, 2007, the Corporation entered into an agreement with KBW to provide financial advisory and investment banking services to the Corporation in connection with the proposed Merger with BOE Financial Services of Virginia, Inc. The Corporation paid \$125,000 upon execution of the agreement and, in the event that the business combination with BOE is consummated, it will pay a cash fee to KBW at closing of \$375,000.

Pursuant to an amendment dated March 20, 2008 to its engagement agreement dated September 5, 2007 with the Corporation, KBW has agreed to assist the Corporation in organizing meetings with third parties not currently stockholders in the Corporation to discuss the TFC Merger. For its assistance in organizing such meetings, the Corporation has agreed to pay KBW a fee of \$750,000 contingent upon consummation of the merger. Such fee is in addition to the other cash fees due to KBW at the time of and contingent upon closing of the TFC Merger and the BOE Merger.

In addition, the Corporation agreed to pay to I-Bankers Securities, Inc. serving as the underwriting syndicate's representative, \$2,100,000 attributable to the underwriters' discount which the representatives of the underwriters have agreed to defer until the initial Business Combination. Until a Business Combination is completed, these funds are held in the Trust Account. If the Corporation does not complete a Business Combination, then the 2% deferred discount will become part of the funds returned to the Corporation's Public Stockholders from the trust account upon its liquidation as part of any plan of dissolution and distribution approved by the Corporation's stockholders.

**7. PER SHARE INFORMATION**

In accordance with SFAS No. 128, Earnings Per Share, basic earnings per common share ( Basic EPS ) is computed by dividing the net income by the weighted-average number of shares outstanding. Diluted earnings per common share ( Diluted EPS ) is computed by dividing the net income by the weighted-average number of Common Shares and dilutive Common Share equivalents then outstanding. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the Corporation's Condensed Statements of Income.

The following table sets forth the computation of basic and diluted per share information:

	<b>Three months ended March 31, 2008</b>	<b>Three months ended March 31, 2007</b>	<b>For the period from April 6, 2005 (inception) to March 31, 2008</b>
<b>Numerator:</b>			
Net Income	\$ 110,737	\$ 242,520	\$ 2,339,871
<b>Denominator:</b>			
Weighted-average common shares outstanding	9,375,000	9,375,000	6,410,403
Dilutive effect of warrants	2,447,528	2,306,238	2,447,528
Weighted-average common shares outstanding, assuming dilution	11,822,528	11,681,238	8,857,931
<b>Net Income Per Share:</b>			
Basic	\$ 0.01	\$ 0.03	\$ 0.37

Diluted \$ 0.01 \$ 0.02 \$ 0.26

**Table of Contents**

**8. SUBSEQUENT EVENTS**

As of March 31, 2008, the Corporation had withdrawn \$335,154 for the payment of estimated federal income taxes and state taxes, \$300,000 of which amount was remitted to the Internal Revenue Service and \$35,154 was remitted to the state of Delaware in the second quarter.

On May 20, 2008, the Corporation's President made an interest-free loan of \$290,000 to the Corporation pursuant to a demand note payable on the earliest of (a) one business day following written demand for such payment, (b) consummation of a business combination and (c) liquidation of the Corporation pursuant to the Corporation's amended and restated certificate of incorporation. Under the demand note, any claim to funds in the Trust Fund or distributed from the Trust Fund, other than in a business combination distribution were irrevocably waived.

On May 20, 2008, with the preapproval of the Corporation's Audit Committee and Board of Directors, the Corporation's President purchased the Corporation's fixed assets for the full acquisition cost of \$49,950.

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

***Forward Looking Statements***

*Certain statements contained in this report that are not historical facts, including, but not limited to, statements that can be identified by the use of forward-looking terminology such as may, expect, anticipate, predict, believe, estimate or continue or the negative thereof or other variations thereon or comparable terminology, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements in this interim report could differ materially from those stated in such forward-looking statements due to various factors, including but not limited to, our being a development stage company with no operating history, our ability to consummate a timely business combination, our dependence on key personnel some of whom may join us following a business combination, our personnel allocating their time to other businesses and potentially having conflicts of interest with our business, our potentially being unable to obtain additional financing to complete a business combination, the ownership of our securities being concentrated, risks associated with the banking industry and those other risks and uncertainties detailed in the Company's filings with the Securities and Exchange Commission. The following discussion should be read in conjunction with our financial statements and related notes thereto included elsewhere in this report.*

***General***

We were incorporated on April 6, 2005, to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in the banking industry. We consummated our initial public offering on June 8, 2006. We have neither engaged in any operations nor generated any revenues, other than interest income, nor incurred any debt or expenses during the period ended March 31, 2008, other than in connection with our initial public offering, meeting our regulatory reporting requirements including certain legal, accounting and other expenses related to selection of and consummation of an initial business combination. Our entire activity since inception has been to prepare for and consummate our initial public offering and to identify and investigate targets for an initial business combination as well as a subsequent business combination.

We are currently in the process of obtaining regulatory and stockholder approvals relating to the TransCommunity Merger and the BOE Merger. We are not presently engaged in, and will not engage in, any substantive commercial business until we consummate the TransCommunity Merger. We intend to utilize our capital stock in effecting the TransCommunity Merger as well as the BOE Merger. If we are unable to consummate the TransCommunity Merger by June 7, 2008, we will be required to dissolve and liquidate.

On October 29, 2007, our board of directors resolved that our fiscal year that began on April 1, 2007 would end on December 31, 2007, and from and after that date, our fiscal year would be the period beginning January 1 of each year and ending on December 31.

***Results of Operations for the Three Months Ended March 31, 2008***

For the three months ended March 31, 2008, operating costs of \$219,825 consisted primarily of \$52,740 in legal and other professional fees, \$22,500 for office and administrative services, \$23,625 for amortization of prepaid insurance, \$88,892 for franchise taxes and \$25,000 for travel and due diligence. Interest income on the trust fund investments, including interest allocable to shares subject to possible conversion, amounted to \$404,722. This resulted in net income for the three months ended March 31, 2008 of \$110,737, net of \$74,160 provision for income taxes.

***Results of Operations for the Three Months Ended March 31, 2007***

For the three months ended March 31, 2007, operating costs of \$190,393 consisted primarily of \$107,900 in legal and other professional fees, \$22,500 for office and administrative services, \$26,250 for amortization of prepaid insurance and \$21,500 for stock listing fees. Interest income on the trust fund investments, including interest allocable to shares subject to possible conversion, amounted to \$698,591. This resulted in net income for the three months ended March 31, 2007 of \$242,520, net of \$265,678 provision for income taxes.



**Table of Contents*****Liquidity and Capital Resources***

The net proceeds of our initial public offering, after deducting the underwriters' discount and offering expenses, was \$54,950,000. Of these net proceeds, \$54,350,000 has been placed in a trust account at J.P. Morgan Chase Bank maintained by Continental Stock Transfer & Trust Company, New York, New York, as trustee, and invested in United States government securities together with an additional \$2,100,000 of deferred underwriting compensation. The funds held in the trust account, other than the deferred underwriting compensation, may be used as consideration to pay the sellers of a target business with which we ultimately complete a business combination. Interest earned on the trust account, net of taxes, will be retained in the trust account for distribution to public stockholders under certain circumstances except that \$1,129,000 has been released to us to fund our working capital requirements and funds have been released to us to pay tax obligations. Upon the consummation of the TransCommunity Merger, we will pay the deferred underwriting compensation to the underwriters, less \$0.28 per share for each share converted in connection with the TransCommunity Merger, out of the proceeds of our initial public offering held in trust. The remaining funds currently held in the trust account, less any amounts paid to stockholders who exercise their conversion rights, will be released to us. We intend to pay any additional expenses of the TransCommunity Merger and BOE Merger and hold the remaining funds as capital at the holding company level pending use for general corporate and strategic purposes. Such purposes may include increasing the capital of TransCommunity Bank or Bank of Essex, future mergers and acquisitions, branch construction, asset purchases, payments of dividends, repurchases of shares of our common stock and general corporate purposes. Until such capital is fully leveraged or deployed, we may not be able to successfully deploy such capital and our return on equity could be negatively impacted.

As of March 31, 2008, we had cash not held in trust of \$63,415. An aggregate of \$3,100,000 of interest earned on the trust funds has been released to us from the trust account for the payment of taxes and working capital. We have used the funds not held in trust together with interest released to us from the trust account for identifying, evaluating and selecting prospective acquisition candidates, performing business due diligence on prospective target businesses, and legal, accounting and other related expenses attendant to structuring, negotiating and consummating our two proposed mergers. Our cash requirements are expected to change based on the timing, nature and outcome of our intended business combination.

We are obligated, until the closing of the TransCommunity Merger, to pay to Community Bankers Acquisition, LLC, an affiliate of one of our directors and executive officers, a monthly fee of \$7,500 for office space and general and administrative services. An aggregate of \$180,000 has been paid through March 31, 2008.

In May 2008 we borrowed \$290,000 from our President evidenced by an interest-free demand note for working capital purposes. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business pending completion of our initial business combination. However, we may need to raise additional funds through a private offering or debt or equity securities if it is required to consummate the TransCommunity and BOE Mergers. We would only consummate such a fundraising simultaneously with the consummation of a business combination.

If we are unable to obtain the required regulatory approvals and consummate the TransCommunity Merger by June 7, 2008, we will be forced to liquidate. If we are forced to liquidate, the per share liquidation amount may be less than the initial per share liquidation value of \$7.72 as of March 25, 2008. Additionally, if third parties make claims against us, the funds held in the trust account could be subject to those claims, resulting in a further reduction to the per share liquidation price. Under Delaware law, our stockholders who have received distributions from us may be held liable for claims by third parties to the extent such claims have not been paid by us. Furthermore, our warrants will expire worthless if we liquidate before the completion of our initial business combination.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. Our exposure to market risk is primarily limited to interest income sensitivity with respect to the funds placed in the trust account. However, the funds held in our trust account have been invested only in U.S. government securities, defined as any Treasury Bill issued by the United States having a maturity of one hundred and eighty days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated

under the Investment Company Act of 1940, so we are not deemed to be an investment company under the Investment Company Act. Thus, we are subject to market risk primarily through the effect of changes in interest rates on government securities. The effect of other changes, such as foreign exchange rates, commodity prices and/or equity prices, does not pose significant market risk to us.



**Table of Contents**

**Item 4. Controls and Procedures.**

As of the end of the period covered by this Quarterly Report, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer (the Certifying Officer), conducted evaluations of the Company's disclosure controls and procedures. As defined under Sections 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), the term "disclosure controls and procedures" means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including the Certifying Officer, to allow timely decisions regarding required disclosures. Based on this evaluation, the Certifying Officer has concluded that the Company's disclosure controls and procedures were effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder.

**Changes in Internal Control over Financial Reporting**

Further, there were no changes in the Company's internal control over financial reporting during the Company's first fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**PART II OTHER INFORMATION**

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of September 5, 2007, by and between Community Bankers Acquisition Corp. and TransCommunity Financial Corporation (2)
2.2	Agreement and Plan of Merger, dated as of December 13, 2007, by and between Community Bankers Acquisition Corp. and BOE Financial Services of Virginia, Inc. (4)
3.1	Amended and Restated Certificate of Incorporation (1)
3.2	By-laws as amended (5)
4.1	Specimen Unit Certificate (1)
4.2	Specimen Common Stock Certificate (1)
4.3	Specimen Warrant Certificate (1)
4.4	Form of Unit Purchase Option to be granted to the representatives (1)
4.5	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant (6)
4.6	Warrant Clarification Agreement dated as of January 29, 2007 between the Company and Continental Stock Transfer and Trust Co. (3)
4.7	Unit Purchase Option Clarification Agreement dated as of January 29, 2007 between the Company and the holders (3)
10.1	Form of Letter Agreement among the Registrant, the representatives of the underwriters and the stockholders, officers and directors of Registrant (1)
10.2	Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant (1)
10.3	Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders (6)
10.4	Registration Rights Agreement among the Registrant and the Initial Stockholders (6)
10.5	Form of Letter Agreement between Community Bankers Acquisition, LLC and Registrant regarding administrative support (1)
10.6	Form of Revolving Credit Agreement in the principle amount of \$100,000 between the Registrant and Community Bankers Acquisition, LLC (1)
10.7	

Edgar Filing: Community Bankers Acquisition Corp. - Form 10-Q

Form of Warrant Purchase Agreement among the Representatives, Gary A. Simanson and David Zalman (1)

10.8*	Letter agreement with Eugene S. Putnam, Jr. (1)
10.9*	Letter agreement with David A. Spainhour (1)
14	Code of Conduct and Ethics (1)
31.1	Rule 13a-14(a) or 15d-14(a) Certification
32.1	Certification pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* Indicates a management contract or compensatory plan required to be filed as an exhibit.

(1) Incorporated by reference to the exhibits of the same number filed with the Company's Registration Statement on Form S-1 or amendments thereto (File No. 333-124240).

(2) Incorporated by reference to the exhibit of the same number filed with the Company's Current Report on Form 8-K on September 7, 2007. (File No. 001-32590).

(3) Incorporated by reference to the exhibit of the

same number filed  
with the  
Company's  
Current Report on  
Form 8-K on  
February 12,  
2007. (File  
No. 001-32590).

(4) Incorporated by  
reference to the  
exhibit of the  
same number filed  
with the  
Company's  
Current Report on  
Form 8-K on  
December 14,  
2007. (File  
No. 001-32590).

(5) Incorporated by  
reference to the  
exhibit of the  
same number filed  
with the  
Company's  
Current Report on  
Form 8-K on  
January 4, 2008  
(File  
No. 001-32590).

(6) Incorporated by  
reference to the  
exhibits of the  
same number filed  
with the  
Company's  
Current Report on  
Form 10-Q on  
November 14,  
2007 (File  
No. 001-32590).

**Table of Contents**

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMUNITY BANKERS ACQUISITION CORP.

Dated: May 20, 2008

By: /s/ Gary A. Simanson  
Gary A. Simanson  
President and Chief Executive Officer and  
Chief Financial Officer  
(Principal Executive and Financial and  
Accounting Officer)

**Table of Contents**

**Index to Exhibits**

<b>Exhibit</b>	<b>Description</b>
31.1	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification