



**YADKIN VALLEY**  
FINANCIAL CORPORATION

March 13, 2009

Mr. Neil M. Barofsky  
Special Inspector General-TARP  
1500 Pennsylvania Avenue NW  
Suite 1064  
Washington, DC 20220

Dear Mr. Barofsky,

Following is a response to your February 6, 2009 letter to William A. Long, President of Yadkin Valley Financial Corporation requesting information about the Company's use of TARP funds.

- (1) *A narrative specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have been taken that you would not have been able to take absent the infusion of TARP funds.*
- (a) The Capital Purchase Program ("CPP") funds acquired under the Troubled Asset Relief Program ("TARP") funds were deposited by the holding company into a money market account at the Bank, with the expectation of providing liquidity for the Bank to make new residential and business loans. (b) (4)
- (b) (4)
- (b) (4) Over the last year, our loan to deposit ratio has been averaging closer to 100% and we expect to invest close to all of the CPP funding into loans. At its March 2009 meeting, the board approved investing up to \$22 million in a capital investment in the subsidiary bank, Yadkin Valley Bank and Trust Company. We expect to make this investment by March 31, 2009. Investing the proceeds into bank capital not only maintains its liquidity for making loans but also provides capital support for leveraging the balance sheet with additional deposits and loans.
- (b) The Bank does not segregate its loans and deposits and therefore the CPP funds were deposited by the holding company into its regular account at the Bank. The funds deposited from CPP account for approximately 99% of the total cash account of the holding company (\$36,000,000 out of \$36,500,000).
- (c) The wired proceeds from CPP were deposited into the company deposit account at the bank and provided liquidity for loans beginning January 16, 2009, the day received. Since the funding date, the bank has increased its residential loan portfolio held for sale by \$104 million. In addition the Bank has increased its other lending by \$6 million since receiving the funds.
- (d) All of the CPP funds that were deposited in its account were loaned by the Bank to its customers. At the time we requested CPP funds we intended to use them for liquidity including loans and in the long term as capital that could be leveraged by adding deposits in order to loans totaling amounts that are several

times the amount of the funding. We have also planned to use a portion of the CPP funds for capital support in the acquisition of American Community Bancshares, Inc. and its subsidiary, American Community Bank which was announced in September 2008 expected to close by the end of the first quarter of 2009. Had we not received the TARP funds, we may not have been able to fund as many residential loans or our liquidity would have been strained which would have hampered our ability to make future loans.

- (2) *Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.*


In preparation for receiving the CPP funds, we reviewed the constraints and restrictions related to executive compensation. We also consulted with legal counsel and a compensation consultant regarding modifications to existing contracts and regarding certifications regarding compliance. We determined that there were eight executives that needed to sign waivers for each to agree to waive any salary and benefits that would otherwise be received in order to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

The responsibilities were communicated to the compensation committee with regard to ensuring compliance in regard to ensure that compensation arrangements do not encourage taking excessive risks. Other provisions were provided to compensation committee members including clawback provisions, golden parachute prohibition, bonus payment prohibition, earnings manipulation prohibition, independent compensation committee certification, luxury expenditure limitations, CEO and CFO certifications, shareholder approval of executive compensation, and review of prior payments to executives. Any changes to executive compensation programs will be evaluated for compliance with CPP guidelines and

Internal controls around underwriting, booking, servicing, and grading loans have been enhanced over the past year as the Bank has added a credit staff that operates independently of loan production officers but whose review is an integral part of the approval process. The Bank's internal control structure around loan origination and servicing has strengthened. Its incentive plan guidelines have historically emphasized asset quality goals. Plans have been reviewed to ensure that executives are neither given incentives nor encouraged by lack of preventive or detective controls to take inappropriate or undisclosed credit risk.

If you have any questions or comments, please call me at (b) (6) or email to (b) (6)

Sincerely,



Edwin E. Laws  
Chief Financial Officer

Attachments:

Loan spreadsheet

Press release and Form 8-K (filed 12/31/08)

Elkin Tribune Article, "Yadkin Valley Bank holding company to receive \$36 million (1/30/09)

Statesville Record and Landmark Article, "Bank: TARP funds provide stability" (2/04/09)

Elkin Tribune Article, "Yadkin Valley Bank and Trust reports income drop in 4<sup>th</sup> quarter (2/20/09)

Residential  
Mortgage Loans  
Held for Sale

1/16/2009	35,433,846
3/13/2009	<u>139,726,970</u>
Net increase in residential loans	<u><u>104,293,124</u></u>

Gross loans held  
for investment

1/16/2009	1,176,388,843
3/12/2009	<u>1,182,823,828</u>
Net increase in loans	<u><u>6,434,985</u></u>

Loans approved:

1/16-xxxxx	100,000	renewal line
		renewal line for road construction for
1/16-xxxxx	2,000,000	commercial development construct new
1/16-xxxxx	2,087,000	warehouse facility purchase used equipment for
1/16-xxxxx	500,000	refurbishing and resale

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934.**

**Date of Report: December 31, 2008  
(Date of earliest event reported)**

**Yadkin Valley Financial Corporation**

(Exact name of registrant as specified in its charter)

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

**000-52099**  
(Commission File  
Number)

**20-4495993**  
(IRS Employer  
Identification Number)

**PO Box 888**  
(Address of principal  
executive offices)

**28621**  
(Zip Code)

**336-526-6312**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 8.01: Other Events**

Elkin, NC — December 31, 2008 — Yadkin Valley Financial Corporation (NASDAQ: YAVY), the holding company for Yadkin Valley Bank and Trust Company, announced that it has received preliminary approval for a \$36 million investment from the U.S. Department of Treasury under its Capital Purchase Program. The Company expects to issue \$36 million in preferred stock to the U.S. Treasury along with related warrants to purchase \$5.4 million in shares of Yadkin Valley's common stock.

**FORWARD LOOKING STATEMENTS**

This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include but are not limited to (1) statements about the benefits of the combination of Yadkin and American Community, including future financial and operating results, cost savings, and enhanced revenues, (2) statements with respect to Yadkin's and American Community's plans, objectives, expectations and intentions and other statements that are not historical facts, and (3) other statements identified by words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets," and "projects," as well as similar expressions. These statements are based upon the current beliefs and expectations of Yadkin's and American Community's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) expected revenue synergies and cost savings from the combination may not be fully realized or realized within the expected time frame; (2) revenues following the combination may be lower than expected; (3) the ability to obtain governmental approvals of the combination on the proposed terms and schedule; (4) the failure of either company's shareholders to approve the combination; (5) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (6) the strength of the United States economy in general and the strength of the local economies in which the combined company will conduct operations may be different than expected resulting in, among other things, a deterioration in the credit quality or a reduced demand for credit, including the resultant effect on the combined company's loan portfolio and allowance for loan losses; (7) the rate of delinquencies and amounts of charge-offs, the level of allowance for loan loss, the rates of loan growth, or adverse changes in asset quality in either Yadkin's or American Community's loan portfolio, which may result in increased credit risk-related losses and expenses; (8) changes in the U.S. legal and regulatory framework; and (9) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on the combined company. Additional factors that could cause Yadkin's or American Community's results to differ materially from those described in the forward-looking statements can be found in Yadkin's and American Community's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission and available at the SEC's Internet site (<http://www.sec.gov>). All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to Yadkin and American Community or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Yadkin and American Community do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

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**ADDITIONAL INFORMATION ABOUT THE MERGER AND WHERE TO FIND IT**

Yadkin and American Community have filed and will be filing relevant documents concerning the transaction with the Securities and Exchange Commission, including a registration statement on Form S-4 which was filed in preliminary form on December 23, 2008, and which includes a preliminary joint proxy statement/prospectus. This document is not yet final and will be amended. Shareholders will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about Yadkin and American Community, at the Securities and Exchange Commission's internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the filings with the Securities and Exchange Commission that will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to William A. Long, President and CEO, Yadkin Valley Financial Corporation, 209 North Bridge Street, Elkin, North Carolina 28621-3404, (336-526-6300), or to Randy P. Helton, President, CEO, and Chairman, American Community Bancshares, Inc., 4500 Cameron Valley Parkway, Suite 150, Charlotte, NC 28211, (704-225-8444).

**SHAREHOLDERS ARE URGED TO READ THE FINAL JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION REGARDING THE PROPOSED TRANSACTION WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.**

Yadkin and American Community and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Yadkin and American Community in connection with the combination. Information about the directors and executive officers of Yadkin and their ownership of Yadkin common stock is set forth in the proxy statement, filed April 15, 2008, for Yadkin Valley's 2008 annual meeting of shareholders, as filed with the SEC on Schedule 14A. Information about the directors and executive officers of American Community and their ownership of American Community common stock is set forth in the proxy statement, filed April 17, 2008, for American Community's 2008 annual meeting of shareholders, as filed with the SEC on Schedule 14A. Additional information regarding the interests of those participants may be obtained by reading the final joint proxy statement/prospectus regarding the proposed transaction when it becomes available.

**Item 9.01: Exhibits**

Exhibit 99: Press Release

**Signatures**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Bank has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Yadkin Valley Bank and Trust Company**

By: \s\Edwin E. Laws  
Edwin E. Laws  
Chief Financial Officer

Date: December 31, 2008



### **Yadkin Valley Financial Corporation Receives Preliminary Approval for \$36 Million Investment Under the U.S. Treasury Capital Purchase Program**

Elkin, NC — December 31, 2008 — Yadkin Valley Financial Corporation (NASDAQ: YAVY), the holding company for Yadkin Valley Bank and Trust Company, announced that it has received preliminary approval for a \$36 million investment from the U.S. Department of Treasury under its Capital Purchase Program. The Company expects to issue \$36 million in preferred stock to the U.S. Treasury along with related warrants to purchase \$5.4 million in shares of Yadkin Valley's common stock.

The preferred stock will be nonvoting and will pay a five percent annual dividend for the first five years and a nine percent annual dividend thereafter. The approval is subject to certain conditions and the execution of definitive agreements, and closing of this transaction is anticipated within 30 days.

Yadkin Valley remains well-capitalized, for bank regulatory purposes. On a pro forma basis, the leverage ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratios at the holding company level would have increased to 10.83%, 12.74%, and 13.59%, respectively, from 8.50%, 9.55%, and 10.74% as of September 30, 2008.

"We are pleased to be a participant in the Treasury's Capital Purchase Program, a program intended for financially strong institutions that are well-positioned for growth during the current economic downturn," said Bill Long, President and Chief Executive Officer. "This investment will strengthen our already solid capital ratios, and we plan to selectively take advantage of the unique opportunities that have arisen following the significant disruption that continues to unfold across our markets."

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#### About Yadkin Valley Financial Corporation

Yadkin Valley Financial Corporation is the holding company for Yadkin Valley Bank and Trust Company, a full service community bank providing services in 29 branches throughout its four regions in North Carolina. The Yadkin Valley Bank region serves Ashe, Forsyth, Surry, Wilkes, and Yadkin Counties, and operates a loan production office in Wilmington, NC. The Piedmont Bank region serves Iredell and Mecklenburg Counties. The High Country Bank region serves Avery and Watauga Counties. The Cardinal State Bank region serves Durham, Orange, and Granville Counties. The Bank provides mortgage lending services through its subsidiary, Sidus Financial, LLC, headquartered in Greenville, North Carolina. Securities brokerage services are provided by Main Street Investment Services, Inc., a Bank subsidiary with four offices located in the branch network.

Certain statements in this press release contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements concerning our future growth, plans, objectives, expectations, performance, events and the like, as well as any other statements, including those regarding the proposed



merger, that are not historical facts and are thus prospective. Such forward-looking statements are subject to risks, uncertainties, and other factors, including, but not limited to: the businesses of Yadkin Valley and American Community may not be integrated successfully or such integration may take longer to accomplish than expected; disruption from the merger may make it more difficult to maintain relationships with clients, associates, or suppliers; the required governmental approvals of the merger may not be obtained on the proposed terms and schedule; shareholders may not approve the merger; continued disruption in worldwide and U.S. economic conditions; changes in the interest rate environment which may reduce the net interest margin; a continued downturn in the economy or real estate market; greater than expected noninterest expenses or excessive loan losses as a result of changes in market conditions and the adverse impact on the value of the underlying collateral and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. For a more detailed description of factors that could cause or contribute to such differences, please see Yadkin Valley's and American Community's filings with the Securities and Exchange Commission.

Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. These projections and statements are based on management's estimates and assumptions with respect to future events and financial performance and are believed to be reasonable though they are inherently uncertain and difficult to predict. Therefore, we can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by either company or any person that the future events, plans, or expectations contemplated by either company will be achieved. Yadkin Valley and American Community do not intend to and assume no responsibility for updating or revising any forward-looking statement contained in this press release, whether as a result of new information, future events or otherwise

For additional information contact:

William A. Long  
President and CEO

Edwin E. Laws  
CFO  
(336) 526-6312

Megan R. Malanga  
Nvestcom Investor Relations  
(954) 781-4393  
[megan.malanga@nvestcom.com](mailto:megan.malanga@nvestcom.com)

## Edwin Laws

---

**From:** Edwin Laws  
**Sent:** Wednesday, March 11, 2009 2:59 PM  
**To:** (b) (6)  
**Cc:** Bill Long; (b) (6)  
**Subject:** RE: CPP funding under the TARP program

The holding company has deposited the funds into its account at the Bank for liquidity in funding loans and investments.

The holding company board has approved investing up to \$22 million in capital in the Bank, which basically reclassifies this amount on the Bank's balance sheet from deposits (liability section) to additional paid-in-capital (stockholders' equity section). This entry has not been made yet, but is expected to be recorded by the end of the month. The purpose of the capital infusion is to provide support for the bank to leverage its balance sheet (mainly loans and deposits) up to 9 times the amount of capital. Leveraging (growing deposits and loans) around 3 or 4 times the amount of capital invested is needed to break even on the cost of CPP preferred stock (5% dividend and potentially dilutive impact from exercise of the warrants).

The remaining preferred stock proceeds of \$14 million remains in a deposit account at the Bank and provides liquidity for loans or other funding needs. This amount remains available to be invested by the holding company board as it deems appropriate as a capital investment in the bank.

Edwin

-----Original Message-----

**From:** (b) (6)  
**Sent:** Wednesday, March 11, 2009 1:53 PM  
**To:** Edwin Laws  
**Subject:** FW: Tart money

Edwin,

Do you have anything that could help.

(b) (6)  
Vice President, Marketing  
Yadkin Valley Bank and Trust Company  
120 S. Elm Street  
Statesville, NC 28677

(b) (6)

-----Original Message-----

**From:** Bill Long  
**Sent:** Wednesday, March 11, 2009 1:34 PM  
**To:** (b) (6)  
**Subject:** Re: Tart money

I do not but edwin probably does.  
Bill

----- Original Message -----

**From:** (b) (6)  
**To:** Bill Long  
**Sent:** Wed Mar 11 12:23:47 2009  
**Subject:** FW: Tart money

Bill,

Do you have anything that could answer (b) (6) request. I want to make sure protocol is followed here.

Thanks!

(b) (6)

Vice President, Marketing

Yadkin Valley Bank and Trust Company

120 S. Elm Street

Statesville, NC 28677

(b) (6)

From: (b) (6)  
Sent: Wednesday, March 11, 2009 9:25 AM  
To: (b) (6)  
Subject: Tart money

(b) (6)

Can you send something out bank wide that explains how we are going to use our tart money? Our branches have had several customers ask and they need to know how to respond and respond consistently.

Thanks,

(b) (6)

Senior Vice President

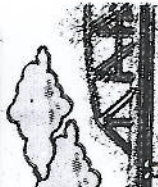
Operations and Branch Administration

Cardinal State Bank

A Division of Yadkin Valley Bank and Trust Company

(b) (6)

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### TRIBUNE/Steve Steiner Elkin High School principal Mark Byrd points out to Howard N. Lee the hallway filled with the class cap and gown of every graduating high school class.

**BY STEVE STEINER**

MANAGING EDITOR  
ssteiner@elkintribune.com

Education chairman Howard N. Lee expressed during his visit to Elkin and tour of the high school and middle school.

"This school has more than earned the respect of all of us in education," he said.

"We need to find ways to re-create what you have here."

Lee observed that Elkin has achieved much of what Gov. Perdue wants accomplished throughout the state: High levels of parental, student and community involvement; improved graduation rates, and preparation for a workforce that can compete with overseas, among a number of goals.

That was part of the purpose of his being in Elkin —

**See VISIT, Page A-8**

mayor pro-tem," Buffkin said. "Tommy Casstevens will fill the second of two seats Jonesville has on the board of directors with the Yadkin Valley Sewer Authority."

Casstevens joins Wayne Moore on the sewer authority board.

### Interested in being considered?

If so, you are asked to call Scott Buffkin at 835-3246.

# Yadkin Valley Bank holding company to receive \$36 million

**BY STEVE STEINER**  
MANAGING EDITOR  
ssteiner@elkintribune.com

In a statement issued Jan. 20, Yadkin Valley Financial Corporation, the holding company for Yadkin Valley Bank and Trust Company, announced it had completed the sale and issuance of \$36 million in capital as a participant in the Treasury's Capital Purchase Program.

In return, the company

"issued 36,000 shares of senior preferred shares with a related warrant to purchase 385,990 shares of the Company's common stock to the Treasury at an exercise price of \$13.99 per share.

The preferred stock is non-voting and will pay a dividend of 5 percent annually for the first five years, and 9 percent annually thereafter if the shares are not redeemed, the press release further stated. The press release also stated

with additional capital and provide us the ability to grow."

In a statement released by bank president and CEO Bill Long, there was another reason behind its move.

"(Furthermore,) this capital was obtained at a cost that was significantly lower and less dilutive than what was available in the public or private capital markets."

Laws explained this was a part of the Temporary Liquidity Guarantee Program.

"This is a debt guarantee that assures whomever we borrow money from will be paid back," he said. "There is some cost to us, but the assurance provided makes it worth doing."

Laws reiterated the bank was in good financial standing, thanks in good measure to its conservative lending practices. He did not foresee those practices changing as a result of the influx of the \$36 million.

## Find the way to their heart

**Pantech Matrix \$79.99**  
after \$50 MIR - and other applicable discounts

**Samsung Propel \$49.99**  
after \$50 MIR and other applicable discounts

**BlackBerry Curve \$99.99**  
after \$100 MIR - and other applicable discounts



Ask about our **FREE** gift with all new activations; a \$29.99 value.



336-463-5022  
www.yadtel.net

Phones require a new 2-year commitment. Price is after all applicable discounts. See store for details and restrictions may apply. Promotion ends 2/24/09.



WATCH

Feb. 3, 2009

Low Jones  
Industrials

+141.53  
8,078.36



MARKETS

NYSE

+101.55 5,268.02

AMEX

+27.20 1,424.79

NASDAQ

+21.87 1,516.30



INTEREST

YTD

# Bank: TARP funds provide stability

issued 36,000 senior preferred shares with a connected warrant to purchase 385,990 shares of common stock to the Treasury Department at a price of \$13.99 per share, according to a company news release.

Yadkin CFO Edwin Laws said the funds will be used to grow the bank's loan and deposit base.

It will also provide Yadkin with additional equity to support the assets acquired from American Community Bancshares. Laws said the bank already had enough liquidity to purchase the company, but the TARP money provided additional stability.

"I think adding capital adds some strength," Laws said. "It supports lending in the communities that we serve."

The preferred stock is non-voting and will pay a dividend of 5 percent annually for the first five years and 9

“It supports lending in the communities that we serve.”

Edwin Laws

Yadkin CFO

percent annually thereafter if the shares are not redeemed.

"It's not an inexpensive source of capital," Laws said.

The Treasury Department agreed not to exercise its voting power with respect to any shares of common stock that may be issued.

Laws said the amount of funding Yadkin received was based on its

risk-weighted assets. The Treasury Department allowed the bank to borrow an amount equal to 1 to 3 percent of risk-weighted assets.

Balance sheets are assigned risk-weightings by regulators, Laws said. For example, a commercial loan would have a risk weight of 100 percent and a first lien on a residential mortgage would be 50 percent.

The Federal Deposit Insurance Corp. is requiring banks that have received TARP or other capital injections to show how the funds are used.

Laws said they are not required to have a separate accounting system in place, but the bank has a system to record transactions.

Yadkin Valley Bank and Trust Co. is a full-service community bank providing services in 29 branches throughout its four regions in North Carolina.

# Yadkin Valley Bank and Trust reports income drop 4th quarter

## SPECIAL TO THE TRIBUNE

YADKIN VALLEY FINANCIAL CORPORATION

Yadkin Valley Financial Corporation (NASDAQ: YAVY), the holding company for Yadkin Valley Bank and Trust Co., recently announced its financial results for the fourth quarter and full year ending Dec. 31, 2008.

Net income for the fourth quarter of 2008 totaled \$217,000, or \$0.02 per diluted share, compared to net income of \$3.1 million, or \$0.29 per share in the fourth quarter. The decrease in quarterly net income was primarily due to a \$2.7 million increase in the provision for loan losses as compared to the same period as last year. According to a news release draft dated Feb. 13, net income was also affected by a 6 percent decrease in net interest income, which was primarily driven by a decrease in the prime rate of 400 basis points during 2008.

Net income for the year ended December 31, 2008 was \$6.7 million, or \$0.59 per diluted share, compared to \$14.7 million, or \$1.37 per diluted share for the year ended Dec. 31, 2007. That decrease in net income for the full 2008 year was primarily due to a \$5.4 million increase in the provision for loan losses, as well as a 4 percent decrease in net interest income.

Recently, Yakin Valley Financial Corporation was granted capital under the Treasury's Capital Purchase Program

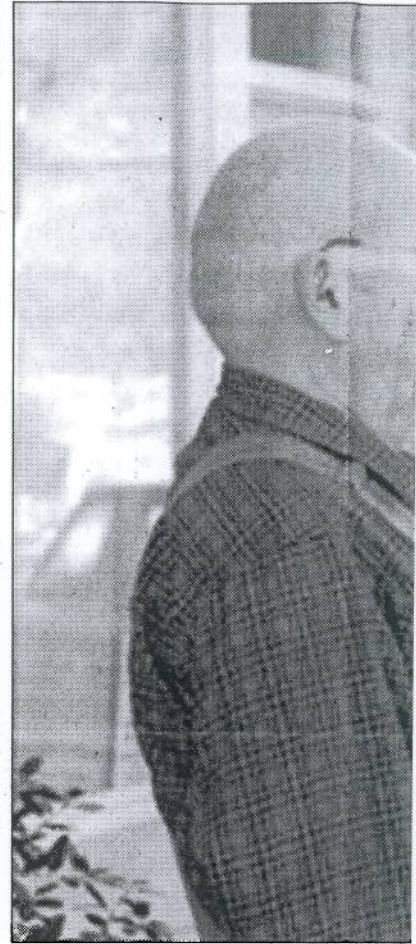
"We remain well-capitalized from a regulatory standpoint and are pleased to be adding \$36 million in new capital during the first quarter of 2009," said Bill Long, president and CEO. "This additional capital will allow us to selectively take advantage of the unique opportunities that have arisen as a result of the market disruption within the banking industry that began last September, particularly as we begin to complete the American Community merger."

According to a news release dated Feb. 5, the corporation received approval by the FDIC (Federal Deposit Insurance Corporation), which was received in addition to approval by the North Carolina Commissioner of Banks and the Federal Reserve, for its merger with American Community Bancshares.

"We are pleased that the merger has received approval from the FDIC," said Long. "This concluded all of the necessary regulatory approvals, and the remaining piece to complete the merger is shareholder approval."

The special meetings of each company's shareholders are set for Feb. 26. The merger is expected to close as soon as reasonably practicable after the shareholder meetings.

*Editor's note: The above was provided in two separate emails/faxes by Yadkin Valley Financial Corporation, which were excerpted for this article.*



## Before the meeting c

David George and Phillip Lyles (the start of the monthly meeting). Among the highlights of the meeting kinds of articles do bring people to the meeting. Director Laurette Leagon, "has a contact with a marketing firm to Suzanne Puckett, who owns R more than \$8,045 for The Ark.

## Beware em

RALEIGH — Thousands of people across North Carolina have been victims of recent layoffs and are looking for work. But watch out for scams that seek to take advantage of job hunters, Attorney General Roy Cooper warned consumers today.

"Promises of a great new job or a chance to earn thousands of dollars a week working from home can sound tempting, especially if you've