Community Bankers Acquisition Corp.
Form 10-Q
November 14, 2007

Table of Contents

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

þ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2007
or

o **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)
Former fiscal year: March 31
(Former name, former address and former fiscal year, if changed since last report)

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 þ No o.
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 o Accelerated filer o Non-accelerated filer þ
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o
As of November 9, 2007 there were 9,375,000 shares of the Company s common stock outstanding.

COMMUNITY BANKERS ACQUISITION CORP.
TABLE OF CONTENTS
FORM 10-Q
September 30, 2007

PART I FINANCIAL STATEMENTS

Item 1. Condensed Financial Statements 1

Balance Sheets (Unaudited)
Statements of Income (Unaudited)
Statements of Stockholders Equity (Unaudited)
Statements of Cash Flows (Unaudited)
Notes to Financial Statements

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations 9

Item 3. Quantitative and Qualitative Disclosures About Market Risk 11

Item 4. Controls and Procedures 11

PART II OTHER INFORMATION

Item 1A. Risk Factors 12

Item 6. Exhibits 12

SIGNATURES

Exhibit 4.5
Exhibit 10.2
Exhibit 10.3
Exhibit 10.4
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

	September 30, 2007 (Unaudited)	March 31, 2007 (Audited)
ASSETS		
Current assets:	$ 397,225	$ 676,183
Cash Cash and United States Treasury securities held in trust fund	57,937,087	58,118,729
Prepaid expenses	687,000	17,500
Total current assets	59,021,312	58,812,412
Total Assets	$ 59,021,312	$ 58,812,412
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Income taxes payable	$ 244,692	$ 806,000
Deferred payment to underwriter	2,100,000	2,100,000
Accrued expenses		9,185
Total Current Liabilities	2,344,692	2,915,185
Common stock, subject to conversion, 1,499,250 shares at conversion value	11,581,624	11,617,934
Commitments		
STOCKHOLDERS EQUITY		
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 1,499,250 shares subject to conversion)	93,750	93,750
Additional paid-in capital	43,097,755	43,061,444
Earnings accumulated during the development stage	1,903,491	1,124,099
Total Stockholders Equity	45,094,996	44,279,293
Total Liabilities and Stockholders Equity	$ 59,021,312	$ 58,812,412

See accompanying notes to condensed financial statements.

1

Table of Contents

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

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Six Months Ended September 30, 2007	Six Months Ended September 30, 2006	Cumulative period from April 6, 2005 (inception) to September 30, 2007
Interest on cash and short-term investments held in trust	$ 712,493	$ 694,506	$ 1,428,970	$ 868,096	$ 3,697,730
Operating costs	111,605	76,882	171,886	93,132	510,548
Income before taxes	600,888	617,624	1,257,084	774,964	3,187,182
Provision for income taxes	228,338	234,696	477,692	294,486	1,283,691
Net income	$ 372,550	$ 382,928	$ 779,392	$ 480,478	1,903,491
Weighted average shares outstanding-basic	9,375,000	9,375,000	9,375,000	7,520,455	5,812,913
Weighted average shares outstanding- diluted	11,814,271	11,585,860	11,807,432	9,731,315	8,154,729
Net income per share-basic	$ 0.04	$ 0.04	$ 0.08	$ 0.06	$ 0.33
Net income per share-diluted	$ 0.03	$ 0.03	$ 0.07	$ 0.05	$ 0.23

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 Paid-In	Earnings Accumulated During the Development	Stockholders'
	Shares	Amount	Capital	Stage	Equity
Balance at March 31, 2006 (audited)	**1,875,000**	**18,750**	**28,125**		**46,875**
Sale of 7,500,000 units, net of underwriters discount and offering expenses (includes 1,499,250 shares subject to possible conversion)	7,500,000	75,000	54,651,153		54,726,153
Less: proceeds subject to possible redemption of 1,499,250 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
Balance at March 31, 2007 (audited)	**9,375,000**	**93,750**	**43,061,444**	**1,124,099**	**44,279,293**
Revaluation of shares subject to redemption			36,311		36,311
Net income				779,392	779,392
Balance at September 30, 2007 (unaudited)	9,375,000	$ 93,750	$ 43,097,755	$ 1,903,491	$ 45,094,996

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)

	Six Months Ended September 30, 2007	Six Months Ended September 30, 2006	Cumulative Period April 6, 2005 (inception) to September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 779,392	$ 480,478	1,903,491
(Increase) in prepaid expenses	(669,500)	(70,000)	(687,000)
Increase (decrease) in accrued expenses and income tax payable	(570,492)	62,818	(244,693)
Net Cash (Used in) Provided by Operating Activities	(460,600)	347,660	1,461,184
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) in cash and securities held in trust fund	181,642	(57,018,096)	57,937,087
Net Cash (Used in) Investing Activities	181,642	(57,018,096)	57,937,087
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock			46,875
Gross proceeds from initial public offering		60,000,000	60,000,000
Proceeds from note payable to stockholder		20,000	40,000
Payment of note payable to stockholder		(40,000)	(40,000)
Proceeds from issuance of underwriters purchase option		100	100
Payment of costs of the public offering		(2,745,248)	(3,173,847)
Net Cash Provided by (Used in) Financing Activities		57,234,852	56,873,128
NET INCREASE IN CASH	(278,958)	564,416	397,225
CASH AT BEGINNING OF PERIOD	676,183	2,360	

CASH AT END OF PERIOD	$	397,225	$	566,776	$ 397,225
NON-CASH FINANCING ACTIVITY					
Accrual of deferred payment to underwriter	$		$	2,100,000	$ 2,100,000
Decrease in value of common stock subject to conversion	$	36,310	$		$ 36,310

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 September 30, 2007 and for the three- and six-month periods ended September 30, 2007 and September 30, 2006, are unaudited and include the accounts of Community Bankers Acquisition Corp. (a corporation in the development stage) (the Corporation). The condensed balance sheet at March 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 March 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 September 30, 2007, and the results of its operations and its cash flows for the three and six months ended September 30, 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 commercial bank or bank holding company. As discussed in Note 6, 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 vote 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.

3. NOTE PAYABLE

Community Bankers Acquisition, LLC, an affiliate of the Corporation s president and one of its stockholders, has entered into a revolving credit agreement with the Corporation in the amount of $100,000. Advances under the credit facility were $40,000. The loan was non-interest bearing and was repaid on June 29, 2006.

4. 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 September 30, 2007, an aggregate of $180,000 has been paid.

Table of Contents

5. 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.

6. 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.

Table of Contents

7. 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 6. 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.

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.

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, including our annual report on Form 10-K filed with the SEC on June 29, 2007. 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 commercial bank or bank holding company. Our first business combination or series of such transactions must have a fair market value of at least 80% of our net assets (excluding the amount held in the trust account representing a portion of the underwriters discount) at the time of such transaction(s). We consummated our initial public offering (the Offering) on June 8, 2006. We have neither engaged in any operations nor generated any revenues to date other than interest income. 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.

Until the announcement on September 6, 2007, that the Company had entered into a agreement and plan of merger with a target company, our efforts had been primarily organizational, activities relating to our Offering and searching for and identifying targets for an initial business combination. Until the consummation of a business combination, we expect interest earned on the offering proceeds held in trust to be our primary source of income.

We entered into an Agreement and Plan of Merger (the Merger Agreement) with TransCommunity Financial Corporation (TFC) on September 5, 2007. 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 Company will issue to the shareholders of TFC, for each share of TFC s common stock that they own, 1.4200 shares of the Company s common stock (the Exchange Ratio), subject to adjustment as described below. If the daily average closing price for the Company 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 Company 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 Company 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.

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 Company 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 Company s common stock voting against the transaction and electing to convert their shares of the Company 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.

Table of Contents

Due to regulatory and shareholder approvals as well as the closing conditions associated with the transaction, we cannot assure stockholders and investors that we will consummated the Merger in the allotted time. If the Company does not effect the Merger with TransCommunity by June 7, 2008 or another business combination by December 7, 2007, or, if a letter of intent, agreement in principle or definitive agreement relating to another business combination is executed by December 7, 2007, but not consummated by June 7, 2008, the Company will be forced to dissolve and liquidate.

Results of Operations for the Three Months Ended September 30, 2007

For the three months ended September 30, 2007, operating costs of $111,605 consisted primarily of $31,167 in legal and other professional fees, $26,813 for office and administrative services, $23,625 for amortization of prepaid insurance and $30,000 for travel and due diligence. Interest income on the trust fund investments, including interest allocable to shares subject to possible conversion, amounted to $712,368. This resulted in net income for the three months ended September 30, 2007 of $372,550, net of $228,338 of provision for income taxes.

Results of Operations for the Six Months Ended September 30, 2007

For the six months ended September 30, 2007, operating costs of $171,887 consisted primarily of $36,516 in legal and other professional fees, $55,871 for office and administrative services and $49,000 for amortization of prepaid insurance and $30,500 for travel and due diligence. Interest income on the trust fund investments, including interest allocable to shares subject to possible conversion, amounted to $1,418,538. This resulted in net income for the six months ended September 30, 2007 of $779,392, net of $477,691 of provision for income taxes.

Liquidity and Capital Resources

The net proceeds of our 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. One-half of the interest earned on the trust account, net of taxes, will be retained in the trust account for distribution to public stockholders under certain circumstances. The remaining interest earned on the trust account, net of taxes, up to $1,129,000 may be released to us periodically to fund our working capital requirements. Upon the consummation of a business combination, we will pay the deferred underwriting compensation to the underwriters out of the proceeds of the Offering held in trust. Any amounts not paid as consideration to the sellers of the target business or to the underwriters as deferred underwriting fees may be used to finance the operations of the target business, pay expenses associated with the Merger, make capital contributions, repurchase Community Bankers securities or to engage in subsequent acquisitions.

As of September 30, 2007, we had cash not held in trust of $397,225, including interest released to us from the trust account. During the balance of 2007 and in 2008 until consummation of a business combination, we will generate interest income on our cash outside of the trust account which can also be used to pay part of our costs and expenses. We will be using the funds not held in trust together with interest released to us from the trust account from time to time for identifying and evaluating prospective acquisition candidates, performing business due diligence on prospective target businesses, traveling to and from the offices of prospective target businesses, reviewing corporate documents and material agreements of prospective target businesses, selecting the target business to acquire and structuring, negotiating and consummating the business combination. Our cash requirements are expected to change based on the timing, nature and outcome of our intended business combination.

We are obligated, commencing June 5, 2006, and ending upon the acquisition of a target business, to pay to Community Bankers Acquisition, LLC, an affiliate of one of our directors and executive officers and a shareholder, a monthly fee of $7,500 for office space and general and administrative services. We anticipate that we will incur, in addition to the administrative fee to Community Bankers Acquisition LLC, expenses for legal, accounting and other expenses attendant to the structuring, negotiating and completing of our

Table of Contents

initial business combination, due diligence of prospective target businesses, expenses in legal and accounting fees relating to bank regulatory compliance, SEC reporting obligations and internal controls and for general working capital that will be used for miscellaneous expenses and reserves, including director and officer liability insurance premiums. We have prepaid $687,000 in expenses for professional fees, administrative services and insurance and believe that we have sufficient capital to meet our day to day operating expenses until consummation 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 a business combination that is presented to us. We would only consummate such a fundraising simultaneously with the consummation of a 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 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.

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.

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 1A. Risk Factors.

An investment in our securities involves a high degree of risk. You should consider carefully all of the material risks described in our annual report on Form 10-K for the fiscal year ended March 31, 2007 before making a decision to invest in our securities.

Item 6. Exhibits.

Exhibit No.	Description
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)
3.1	Amended and Restated Certificate of Incorporation (1)
3.2	By-laws as amended (1)
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	Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant (4)
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 (4)
10.3	Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders (4)
10.4	Registration Rights Agreement among the Registrant and the Initial Stockholders (4)
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	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)
31.1	Rule 13a-14(a)/15d-14(a) Certification (3)
32.1	Section 1350 Certification (3)

*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.

(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.

(4) Filed herewith.

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: November 14, 2007

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

Exhibit	Description
4.5	Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant
10.2	Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant
10.3	Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders
10.4	Registration Rights Agreement among the Registrant and the Initial Stockholders
31.1	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification