

COLONY BANKCORP INC  
Form 10-Q  
May 09, 2006  
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**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

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**FORM 10-Q**

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**QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

FOR QUARTER ENDED MARCH 31, 2006

COMMISSION FILE NUMBER 0-12436

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**COLONY BANKCORP, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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GEORGIA  
(STATE OR OTHER JURISDICTION)

58-1492391  
(I.R.S. EMPLOYER

OF INCORPORATION OR ORGANIZATION)

IDENTIFICATION NUMBER)

115 SOUTH GRANT STREET, FITZGERALD, GEORGIA 31750

ADDRESS OF PRINCIPAL EXECUTIVE OFFICES

229/426-6000

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE

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INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED REPORTS REQUIRED TO BE FILED BY SECTIONS 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

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INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER OR A NONACCELERATED 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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE ACT). YES  NO

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.

CLASS	OUTSTANDING AT MAY 8, 2006
COMMON STOCK, \$1 PAR VALUE	7,190,735

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### **Forward Looking Statement Disclosure**

Statements in this Quarterly Report regarding future events or performance are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the PSLRA) and are made pursuant to the safe harbors of the PSLRA. Actual results of Colony Bankcorp, Inc. (the Company) could be quite different from those expressed or implied by the forward-looking statements. Any statements containing the words could, may, will, should, plan, believe, anticipates, estimates, predicts, expects, projections, similar import, constitute forward-looking statements, as do any other statements that expressly or implicitly predict future events, results, or performance. Factors that could cause results to differ from results expressed or implied by our forward-looking statements include, among others, risks discussed in the text of this Quarterly Report as well as the following specific items:

General economic conditions, whether national or regional, that could affect the demand for loans or lead to increased loan losses;

Competitive factors, including increased competition with community, regional, and national financial institutions, that may lead to pricing pressures that reduce yields the Company achieves on loans and increase rates the Company pays on deposits, loss of the Company's most valued customers, defection of key employees or groups of employees, or other losses;

Increasing or decreasing interest rate environments, including the shape and level of the yield curve, that could lead to decreases in net interest margin, lower net interest and fee income, including lower gains on sales of loans, and changes in the value of the Company's investment securities;

Changing business or regulatory conditions, or new legislation, affecting the financial services industry that could lead to increased costs, changes in the competitive balance among financial institutions, or revisions to our strategic focus;

Changes or failures in technology or third party vendor relationships in important revenue production or service areas, or increases in required investments in technology that could reduce our revenue, increase our costs or lead to disruptions in our business.

Readers are cautioned not to place undue reliance on our forward-looking statements, which reflect management's analysis only as of the date of the statements. The Company does not intend to publicly revise or update forward-looking statements to reflect events or circumstances that arise after the date of this report.

Readers should carefully review all disclosures we file from time to time with the Securities and Exchange Commission (SEC).

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**PART 1. FINANCIAL INFORMATION**

ITEM 1.

**FINANCIAL STATEMENTS**

THE FOLLOWING FINANCIAL STATEMENTS ARE PROVIDED FOR COLONY BANKCORP, INC. AND SUBSIDIARIES: COLONY BANK OF FITZGERALD, COLONY BANK ASHBURN, COLONY BANK WILCOX, COLONY BANK OF DODGE COUNTY, COLONY BANK WORTH, COLONY BANK SOUTHEAST, COLONY MANAGEMENT SERVICES, INC., AND COLONY BANK QUITMAN, FSB.

- A. CONSOLIDATED BALANCE SHEETS MARCH 31, 2006 AND DECEMBER 31, 2005.
  
- B. CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005.
  
- C. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005.
  
- D. CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005.

THE CONSOLIDATED FINANCIAL STATEMENTS FURNISHED HAVE NOT BEEN AUDITED BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS, BUT REFLECT, IN THE OPINION OF MANAGEMENT, ALL ADJUSTMENTS NECESSARY FOR A FAIR PRESENTATION OF THE RESULTS OF OPERATIONS FOR THE PERIODS PRESENTED.

THE RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006 ARE NOT NECESSARILY INDICATIVE OF THE RESULTS TO BE EXPECTED FOR THE FULL YEAR.

**Table of Contents****Part 1 (Continued)**

Item 1 (Continued)

**COLONY BANKCORP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****MARCH 31, 2006 AND DECEMBER 31,****(DOLLARS IN THOUSANDS)**

	March 31, 2006 (Unaudited)	December 31, 2005
<b>ASSETS</b>		
<b>Cash and Cash Equivalents</b>		
Cash and Due from Banks	\$ 24,785	21,606
Federal Funds Sold	54,104	57,456
	<b>78,889</b>	79,062
<b>Interest-Bearing Deposits</b>	<b>3,631</b>	1,635
<b>Investment Securities</b>		
Available for Sale, at Fair Value	124,221	124,247
Held to Maturity, at Cost (Fair Value of \$81 and \$79, as of March 31, 2006 and December 31, 2005, Respectively)	81	79
	<b>124,302</b>	124,326
<b>Federal Home Loan Bank Stock, at Cost</b>	<b>5,469</b>	5,034
<b>Loans</b>		
Allowance for Loan Losses	(10,760)	(10,762)
Unearned Interest and Fees	(443)	(302)
	<b>881,897</b>	848,053
<b>Premises and Equipment</b>	<b>26,280</b>	25,676
<b>Other Real Estate</b>	<b>2,131</b>	2,170
<b>Goodwill</b>	<b>2,412</b>	2,412
<b>Other Intangible Assets</b>	<b>495</b>	520
<b>Other Assets</b>	<b>19,680</b>	19,450
<b>Total Assets</b>	<b>\$ 1,145,186</b>	\$ 1,108,338

**LIABILITIES AND STOCKHOLDERS EQUITY**

<b>Deposits</b>		
Noninterest-Bearing	\$ 73,545	\$ 78,778
Interest-Bearing	901,127	865,587
	974,672	944,365
<b>Borrowed Money</b>		
Subordinated Debentures	19,074	19,074
Other Borrowed Money	74,672	70,226
	93,746	89,300
<b>Other Liabilities</b>	7,143	6,545
<b>Commitments and Contingencies</b>		
<b>Stockholders Equity</b>		
Common Stock, Par Value \$1 a Share, Authorized 20,000,000 Shares, Issued 7,190,735 and 7,181,320 Shares as of March 31, 2006 and December 31, 2005, Respectively	7,191	7,181
Paid-In Capital	24,215	24,000
Retained Earnings	40,353	38,602
Restricted Stock - Unearned Compensation	(488)	(302)
Accumulated Other Comprehensive Loss, Net of Tax	(1,646)	(1,353)
	69,625	68,128
<b>Total Liabilities and Stockholders Equity</b>	\$ 1,145,186	\$ 1,108,338

The accompanying notes are an integral part of these statements.

**Table of Contents****Part 1 (Continued)**

## Item 1 (Continued)

**COLONY BANKCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**THREE MONTHS ENDED MARCH 31, 2006 AND 2005**  
**(UNAUDITED)**  
**(DOLLARS IN THOUSANDS)**

	Three Months Ended 3/31/2006	Three Months Ended 3/31/2005
<b>Interest Income</b>		
Loans, Including Fees	\$ 16,753	\$ 12,974
Federal Funds Sold	479	235
Deposits with Other Banks	18	17
Investment Securities		
U.S. Government Agencies	1,164	868
State, County and Municipal	91	54
Corporate Obligations	36	30
Dividends on Other Investments	59	34
	<b>18,600</b>	<b>14,212</b>
<b>Interest Expense</b>		
Deposits	7,514	4,484
Federal Funds Purchased	9	0
Borrowed Money	1,144	876
	<b>8,667</b>	<b>5,360</b>
<b>Net Interest Income</b>	<b>9,933</b>	<b>8,852</b>
Provision for Loan Losses	922	808
<b>Net Interest Income After Provision for Loan Losses</b>	<b>9,011</b>	<b>8,044</b>
<b>Noninterest Income</b>		
Service Charges on Deposits	1,032	930
Other Service Charges, Commissions and Fees	215	184
Mortgage Fee Income	123	107
Other	238	381
	<b>1,608</b>	<b>1,602</b>
<b>Noninterest Expenses</b>		
Salaries and Employee Benefits	4,079	3,322
Occupancy and Equipment	985	900



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Other		2,023		2,062
		7,087		6,284
<b>Income Before Income Taxes</b>		3,532		3,362
<b>Income Taxes</b>		1,223		1,188
<b>Net Income</b>	\$	2,309	\$	2,174
<b>Net Income Per Share of Common Stock</b>				
Basic	\$	0.32	\$	0.30
Diluted	\$	0.32	\$	0.30
<b>Weighted Average Basic Shares Outstanding</b>		7,170,406		7,144,178
<b>Weighted Average Diluted Shares Outstanding</b>		7,172,669		7,165,276
<b>Cash Dividends Declared Per Share of Common Stock</b>	\$	0.0775	\$	0.068

The accompanying notes are an integral part of these statements.

**Table of Contents****Part 1 (Continued)**

## Item 1 (Continued)

**COLONY BANKCORP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE MONTHS ENDED MARCH 31, 2006 AND 2005**  
**(UNAUDITED)**  
**(DOLLARS IN THOUSANDS)**

	Three Months Ended 03/31/06	Three Months Ended 03/31/05
<b>Net Income</b>	<b>\$ 2,309</b>	<b>\$ 2,174</b>
<b>Other Comprehensive Income, Net of Tax</b>		
Losses on Securities Arising During the Year	(293)	(717)
Reclassification Adjustment		
Unrealized Losses on Securities	(293)	(717)
<b>Comprehensive Income</b>	<b>\$ 2,016</b>	<b>\$ 1,457</b>

The accompanying notes are an integral part of these statements.

**Table of Contents****Part 1 (Continued)**

## Item 1 (Continued)

**COLONY BANKCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2006 AND 2005**  
**(UNAUDITED)**  
**(DOLLARS IN THOUSANDS)**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 2,309	\$ 2,174
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	473	440
Provision for Loan Losses	922	808
Amortization and Accretion	173	331
(Gain) Loss on Sale of Other Real Estate and Repossessions	7	(6)
Gain on Sale of Equipment	(1)	
Increase in Cash Surrender Value of Life Insurance	(48)	(58)
Other Prepaids, Deferrals and Accruals, Net	504	1,894
	<b>4,339</b>	<b>5,583</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Federal Home Loan Bank Stock	(435)	(263)
Purchases of Investment Securities Available for Sale	(8,946)	(9,169)
Proceeds from Maturities, Calls, and Paydowns of Investment Securities Available for Sale	8,464	6,606
Interest-Bearing Deposits in Other Banks	(1,996)	778
Net Loans to Customers	(34,937)	(20,950)
Purchase of Premises and Equipment	(1,080)	(759)
Other Real Estate and Repossessions	192	144
Proceeds from Sale of Premises and Equipment	5	
	<b>(38,733)</b>	<b>(23,613)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Noninterest-Bearing Customer Deposits	(5,233)	(3,859)
Interest-Bearing Customer Deposits	35,547	(701)
Federal Funds Pny measures fair value based on quoted market prices or based on discounted estimates of future cash flows. Long-lived assets to be disposed of are carried at fair value less costs to sell. No such impairments have been identified by management at September 30, 2001. Segment reporting The Company follows Statement of Financial Accounting Standards No. 130, "Disclosures About Segments of an Enterprise and Related Information". The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations. Dividends The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid or declared since inception. Income taxes The Company follows Statement of Financial Accounting		

Standard No. 109, "Accounting for Income Taxes" ("SFAS No. 109") for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change. Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

**45/ ATR Search Corporation Notes** Recent pronouncements The FASB recently issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133". The Statement defers for one year the effective date of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The rule now will apply to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement will require the company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income, if the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The company does not expect SFAS No. 133 to have a material impact on earnings and financial position. In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB No. 101), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 did not impact the company's revenue recognition policies.

**Stock-Based Compensation** The Company accounts for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations and has adopted the disclosure-only alternative of FAS No. 123, "Accounting for Stock-Based Compensation." Options granted to consultants, independent representatives and other non-employees are accounted for using the fair value method as prescribed by FAS No. 123. Year end The Company has adopted December 31 as its fiscal year end.

**Note 2 - Going concern** The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. As noted above, the Company is in the development stage and, accordingly, has not yet generated a proven history of operations. Since its inception, the Company has been engaged substantially in financing activities and developing its product line, incurring substantial costs and expenses. As a result, the Company incurred accumulated net losses from March 2, 2001 (inception) through the period ended December 31, 2001 of \$(488,750). In addition, the Company's development activities since inception have been financially sustained by capital contributions. The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating results. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to recover the value of its assets or satisfy its liabilities.

**Note 3 - Fixed assets** The Company acquired the following assets during the period ended December 31, 2001: Furniture & fixtures \$ 1,969 Leasehold improvements 10,000 ----- \$11,969 Depreciation expense totaled \$607 for the period ended December 31, 2001.

**46/ ATR Search Corporation Notes** **Note 4 - Intellectual Property, Patents, and Other Intangibles** On March 28, 2001, the Company acquired the rights to use technology known as "human resource compiler based search recognition software and hardware" from Sarcor Management, SA, a British Virgin Islands corporation, in exchange for a lease agreement and the issuance of 3,500,000 common shares of stock valued at \$350,000. Amortization expense totaled \$225,000 for the period ended December 31, 2001. The Company relies on trademark, unfair competition and copyright law, trade secret protection and contracts such as confidentiality and license agreements with its employees, customers, partners and others to protect its proprietary rights. Despite precautions, it may be possible for competitors to obtain and/or use the proprietary information without authorization, or to develop technologies similar to the Company's and independently create a similarly functioning infrastructure. Furthermore, the protection of proprietary rights in Internet-related industries is uncertain and still evolving. The laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. Protecting the Company's proprietary rights in the United States or abroad may not be adequate.

**Note 5 - Stockholder's equity** The Company was originally authorized to issue 20,000,000 shares of its \$0.001 par value common stock. Effective May 7, 2001, the Company amended its articles of incorporation increasing its authorized shares to 100,000,000 shares of \$0.001 par value common stock. All references to shares issued and outstanding reflect the increase of authorization of 100,000,000 issuable shares effected May 7, 2001. The Company issued 12,625,000 shares of its \$0.001 par value common stock to its founders for cash of \$64,525. The Company issued 3,500,000 shares of its \$0.001 par value common stock at \$0.10 per share to Sarcor Management, SA, a British Virgin

Island corporation, as a \$350,000 down payment on a technology licensing agreement. The Company issued 350,000 shares of its \$0.001 par value common stock to Corporate Regulatory Services for consulting services valued at \$26,250. The Company issued 150,000 shares of its \$0.001 par value common stock to Mary Lou Cox, mother of Robert Cox, the Company's president, for consulting services valued at \$15,000. The Company issued 500,000 shares of its \$0.001 par value common stock to James De Luca, an independent consultant, for consulting services valued at \$50,000. The Company issued 1,340,000 shares of its \$0.001 par value common stock at \$0.10 per share for cash of \$134,000. The shares were sold pursuant to a Regulation D, Rule 505 of the Securities and Exchange Commission offering. The Company issued 115,000 shares of its \$0.001 par value common stock to extinguish promissory notes totaling \$11,500. The Company issued 600,000 shares of its \$0.001 par value common stock to Quarg, Inc. for consulting services valued at \$60,000. There have been no other issuances of common stock. /47/ ATR Search Corporation Notes Note 6 - Income taxes The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized. The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are based on a 34% US federal statutory rate. As of December 31, 2001, the Company has a net operating loss of approximately \$(488,750). The related tax asset of approximately \$112,829 has been fully reserved and, if not used, will expire in 2021. A valuation adjustment has been made in the event the asset is not realizable. Note 7 - Capital lease and rent obligations 10% capital lease payable to Sarcor Management, SA with monthly interest-only payments beginning in April 2001 of \$5,000, increasing to \$10,000 in April 2002, \$15,000 in April 2003, and \$19,100 thereafter, secured by software licensing rights, due March 2011. \$1,150,000 Less current portion ( 120,000) ----- Total long-term debt \$1,030,000 ===== Summary of Future Minimum Lease Payments: Fiscal Year Amount 2001 \$ 15,000 2002 150,000 2003 180,000 2004 229,200 2005 229,200 Thereafter 1,173,000 ----- Total lease payments over the contractual period \$1,976,400 Less: Interest (476,400) ----- Original cost 1,500,000 ===== Interest expense for the capital lease totaled \$57,500 for the period ended December 31, 2001. Of which none has been paid as of December 31, 2001. On April 1, 2001, the Company entered into a sublease agreement to rent office space for a period of four years at a rate of \$2,502 per month. Rent expense totaled \$23,133 at December 31, 2001. Note 8 - Short term note payable On May 5, 2001, the Company executed a promissory note with Robert Cox, the president of the Company, in the amount of \$50,000, which is due in 2 years. Interest in accrued on a quarterly basis at an interest rate of 8% per annum. On May 5, 2003, the unpaid balance of principal and accrued interest will convert into common stock at a ratio of one share of the Company's \$0.001 par value common stock for each \$5. As of December 31, 2001, interest expense totaled \$3,025 of which \$329 has been paid. /48/ ATR Search Corporation Notes Note 9 - Related party transactions On May 5, 2001, the Company executed a promissory note with Robert Cox, the president of the Company, in the amount of \$50,000. (See Note 8 above.) On May 24, 2001, the Company issued 150,000 shares of its \$0.001 par value common stock to Mary Lou Cox, mother of Robert Cox, the Company's president, for consulting services valued at \$15,000. Note 10 - Warrants and options As of December 31, 2001, there were no warrants or options outstanding to acquire any additional shares of common stock. Note 11 - Subsequent events On February 17, 2002, the Company executed a business consulting agreement with MLSA whereby the Company issued 1,350,000 shares of its \$0.001 par value common stock to Mark Lancaster for consulting services valued at \$162,000. The consulting services are to be rendered over a period of 90 days with an automatic three-month renewal provision. On February 26, 2002, the Company executed a consulting agreement with Qurag, Inc. whereby the Company issued 475,000 shares of its \$0.001 par value common stock to Chaim Drizin, a shareholder of the Company, for consulting services valued at \$30,875. The consulting services are to be rendered over a period of 90 days with an automatic three-month renewal provision. On March 1, 2002, the Company executed a consulting agreement with Corporate Regulatory Services, LLC (CRS), a shareholder of the Company, whereby the Company issued 250,000 shares of its \$0.001 par value common stock to CRS, for consulting services valued at \$16,250. The consulting services are to be rendered over a period of approximately 1 year. As of March 7, 2002, the Company issued 62,500 warrants to CRS, a shareholder of the Company, to purchase the Company's \$0.001 par value common stock on a one-for-one basis. The warrant exercise price is \$0.10 per share of common stock and substantially all warrants will expire on or before March 7, 2007. On March 27, 2002, the Company executed a consulting agreement with Promark, Inc. whereby the Company issued 500,000 shares of its \$0.001 par value common stock to Ken Lowman for consulting services valued at \$50,000. The consulting services are to be rendered over a period of 90 days with an automatic three-month renewal provision. /49/ Part II - Information Not Required In Prospectus Item 24: Indemnification of Directors and Officers THE ARTICLES OF INCORPORATION OF THE COMPANY PROVIDE FOR INDEMNIFICATION OF EMPLOYEES AND OFFICERS IN CERTAIN CASES. INsofar AS INDEMNIFICATION FOR LIABILITIES ARISING UNDER THE SECURITIES ACT OF 1933 MAY BE PERMITTED TO DIRECTORS, OFFICERS OR PERSONS CONTROLLING THE COMPANY PURSUANT TO THE FOREGOING PROVISIONS, THE COMPANY HAS BEEN INFORMED THAT IN THE OPINION OF THE SECURITIES AND EXCHANGE COMMISSION SUCH INDEMNIFICATION IS AGAINST

PUBLIC POLICY AS EXPRESSED IN THE ACT AND IS THEREFORE UNENFORCEABLE. In addition, Section 78.751 of the Nevada General Corporation Laws provides as follows: 78.751 Indemnification of officers, directors, employees and agents; advance of expenses. 1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suitor proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful. 2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper. 3. To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, he must be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense. 4. Any indemnification under subsections 1 and 2, unless ordered by a court or advanced pursuant to subsection 5, must be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made: (a) By the stockholders; (b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to act, suit or proceeding; (c) If a majority vote of a quorum /50/ consisting of directors who were not parties to the act, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) If a quorum consisting of directors who were not parties to the act, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion; or 5. The Articles of Incorporation, the Bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by corporation. The provisions of this subsection do not affect any rights to advancement of expenses to which corporate personnel other than the directors or officers may be entitled under any contract or otherwise by law. 6. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to this section: (a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to subsection 2 or for the advancement of expenses made pursuant to subsection 5, may not be made to or on behalf of any director or officer if a final adjudication establishes that his act or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action. (b) Continues for a person who has ceased to be a director, officer, employee or agent and endures to the benefit of the heirs, executors and administrators of such a person. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final

adjudication of such issue. Item 25. Other Expenses of Issuance and Distribution The following table sets forth the estimated expenses to be borne by us (also referred to within as the Registrant) in connection with the issuance and distribution of our Common Shares pursuant to the Offering. Nature of Expenses Amount -----

SEC Registration Fee	\$ 474.69
Accounting Fees and Expenses	\$ 5,000.00
Legal Fees and Expenses	\$ 5,000.00
Printing Expenses	\$ 2,000.00
Blue Sky Qualification Fees and Expenses	\$ 0.00
Transfer Agent's Fee	\$ 1,000.00
----- TOTAL \$ 13,474.69 (1)	

The amounts set forth above, except for the SEC fees, are in each case estimated. /51/ ITEM 26. Recent Sales of Unregistered Securities On March 2, 2001, the Company was incorporated under the laws of the State of Nevada as ATR Search Corporation. The Company is authorized to issue 100,000,000 shares of common stock, par value \$0.001, and 5,000,000 shares of preferred stock, par value \$0.001. At the Initial Meeting of the Board of Directors on March 16, 2001, it was resolved that a formal Code of Bylaws be adopted for the Corporation. At that same meeting, the Company issued 875,000 shares of its \$0.001 par value common stock to Mr. Michael Vogel for cash of \$875 and 1,750,000 shares of par value common stock to Mr. Robert L. Cox in exchange for cash in the amount of \$1,750. During March 2001, the Company issued 11,975,000 shares of its \$0.001 par value common stock to its officers as founders stock issued for cash of \$15,000. During March 2001, the Company issued 1,525,000 shares of its \$0.001 par value common stock to investors for cash of \$49,500. During March 2001, we issued 350,000 shares to one shareholder in lieu of services rendered in the amount of \$26,250. The issuance of shares represented payment to a consulting company for facilitating the preparation of the documentation necessary to become a publicly traded company. This stock issuance was made in accordance with Section 4(2) of the Securities Act of 1933, as amended. The consulting company is a sophisticated purchaser. They were provided full and complete access to our corporate records, as they assisted us in preparing our offering documentation. No brokers or dealers were involved in this transaction and no discounts or commissions were paid. On May 26, 2001 we conducted an offering in which we issued 1,340,000 shares of common stock to 17 unaffiliated shareholders at a price of \$0.10 per share, for total receipts of \$134,000 in cash. This offering was made in reliance upon an exemption from the registration provisions of the Securities Act of 1933, as amended, in accordance with Regulation D, Rule 504 of the Act. In addition, this offering was made on a best efforts basis and was not underwritten. In regards to the May 2001 offering, listed below are the requirements set forth under Regulation D, Rule 504 and the facts which support the availability of Rule 504 to the May 2001 offering: a. Exemption. Offers and sales of securities that satisfy the conditions in paragraph (b) of this Rule 504 by an issuer that is not: 1. subject to the reporting requirements of section 13 or 15(d) of the Exchange Act; 2. an investment company; or 3. a development stage company that either has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person, shall be exempt from the provision of section 5 of the Act under section 3(b) of the Act. Facts: At the time of the May 2001 offering, we were not subject to the reporting requirements of section 13 or section 15(d) of the Exchange Act. Further, we are not now, nor were we at the time of the May 2001 offering, considered to be an investment company. Finally, since inception, we have pursued a specific business plan of placing information technology ("IT") professionals with technology sector companies on a temporary or permanent basis and continue to do so. b. Conditions to be met. 1. General Conditions. To qualify for exemption under this Rule 504, offers and sales must satisfy the terms and conditions of Rule 501 and Rule 502 (a), (c) and (d), except that the provisions of Rule 502 (c) and (d) will not apply to offers and sales of securities under this Rule 504 that are made: /52/ i. Exclusively in one or more states that provide for the registration of the securities, and require the public filing and delivery to investors of a substantive disclosure document before sale, and are made in accordance with those state provisions; ii. In one or more states that have no provision for the registration of the securities or the public filing or delivery of a disclosure document before sale, if the securities have been registered in at least one state that provides for such registration, public filing and delivery before sale, offers and sales are made in that state in accordance with such provisions, and the disclosure document is delivered before sale to all purchasers (including those in the states that have no such procedure); or iii. Exclusively according to state law exemptions from registration that permit general solicitation and general advertising so long as sales are made only to "accredited investors" as defined in Rule 501(a). Facts: On May 17, 2001, we were issued a permit to sell securities by the State of New York, pursuant to our application for registration by qualification of our offering of Common Stock in that state. The application for registration by qualification was filed pursuant to the provisions of Section 359-e of the New York General Business Law, which requires the public filing and delivery to investors of a substantive disclosure document before sale. On August 24, 2001, we completed a public offering of shares of our common stock pursuant to Regulation D, Rule 504 of the Securities Act of 1933, as amended, and the registration by qualification of said offering in the State of New York, whereby we sold 1,340,000 shares of Common Stock to approximately 17 unaffiliated shareholders of record, none of whom were or are officers or directors of ours. The entire offering was conducted exclusively in the State of New York, pursuant to the permit issued by the State of New York. 2. The aggregate offering price for an offering of securities under this Rule 504, as defined in Rule 501(c), shall not exceed \$1,000,000, less the aggregate offering price for all securities sold within the twelve months before the start of and during the offering of securities under this Rule 504, in reliance on any exemption under section 3(b), or in violation of section 5(a) of the Securities Act. Facts: The aggregate offering price for the May 2001 offering was \$400,000, of which \$134,000 was raised in the offering. During June 2001, we issued 1,250,000 shares to three shareholders in lieu of services rendered in the amount of \$125,000. The issuance of shares represented payment to three consulting companies for marketing and consulting services including site location and development. These stock issuances were

made in accordance with Section 4(2) of the Securities Act of 1933, as amended. The consulting companies are sophisticated purchasers. They were provided full and complete access to our corporate records, as they assisted us in the development stage of our Company. No brokers or dealers were involved in these transactions and no discounts or commissions were paid. During June 2001, we issued 115,000 shares to four shareholders who elected to convert promissory notes to common stock in the amount of \$11,500. These stock issuances were made in accordance with Section 4(2) of the Securities Act of 1933, as amended. No brokers or dealers were involved in these transactions and no discounts or commissions were paid. The following paragraphs set forth information with respect to all securities sold by us within the past 14 months without registration under the Securities Act of 1933, as amended (the "Securities Act"). The information includes the names of the purchasers, the date of issuance, the title and number of securities sold and the consideration received by us for the issuance of these shares. The consulting services agreements were made with such investors that are sophisticated investors based on their financial resources and knowledge of investments. They had access to or were provided with relevant financial and other information relating to the CareDecision Corporation. Accordingly, the issuance of shares was exempt from the registration requirements of the Act pursuant to Section 4(2) of the Act. /53/ On March 6, 2002, we issued 1,350,000 shares of our Common Stock to Mark W. Lancaster for consulting services valued at \$155,250. On March 6, 2002, we issued 475,000 shares of our Common Stock to Chaim Drizin for consulting services valued at \$54,625. On April 4, 2002, we rescinded an aggregate of 1,935,000 shares of our Common Stock. On July 9, 2002, we issued a total of 32,968,863 shares of its \$0.001 par value common stock pursuant to its reverse merger with Medicius, Inc. whereby each shareholder received three Company shares for every one Medicius, Inc. share held. On August 1, 2002, we issued 3,000,00 shares of our Common Stock to Ken Lowman for consulting services valued at \$150,000. On August 1, 2002, CareDecision.net, Inc. then elected to convert its preferred shares into 5,075,000 shares of the Company's \$0.001 par value common stock. On August 9, 2002, we issued 2,000,000 restricted shares of our Common Stock to Barbara Asbell for consulting services valued at \$80,000. On September 30, 2002, we issued 875,000 restricted shares of common stock, to CareDecision.net, Inc., for purchasing the empower care software and the care.net web domain of CareDecision.net, Inc. On September 30, 2002, we issued 1,267,963 restricted shares of CareDecision Corporation common stock, to Keith Berman for his retiring his CareDecision Corporation note. On September 30, 200, we issued 640,000 restricted shares of CareDecision Corporation common stock to Robert Jagunich for his exercising 640,000 warrants at a strike price of \$0.05; On September 30, 2002, we issued 500,000 restricted shares of our Common Stock to Robert Kotch for consulting services valued at \$20,000. On September 30, 2002, we issued 2,539,574 restricted shares of our Common Stock to Paradigm Partners for consulting services valued at \$101,582.96. On September 30, 2002, we issued 1,500,000 restricted shares of our Common Stock to Barbara Asbell for consulting services valued at \$60,000. On October 2, 2002, we issued 950,000 shares of our Common Stock to Barbara Asbell for consulting services valued at \$38,000. On October 8, 2002 we issued 6,327,737 shares of our Common Stock. On October 9, 2002, we rescinded an aggregate of 3,350,000 shares of our Common Stock. [Balance of this page intentionally left blank.] /54/ Item 27. Exhibits Exhibits. The following is a complete list of Exhibits filed ----- as part of this registration statement. Exhibit 3a Articles of Incorporation - Filed March 2, 2001 Exhibit 3b Articles of Amendments to Articles of Incorporation - Filed May 9, 2001 Exhibit 3c Articles of Amendments to Articles of Incorporation - Filed August 2, 2002 Exhibit 3d Bylaws of CareDecision Corporation (formerly ATR Search Corporation) Exhibit 5 Attorney Legal Opinion and Consent Letter Exhibit 23 Independent Auditor's Consent Item 28. Undertakings 1. The Registrant will, during any period in which it offers or sells securities, file a post-effective amendment to this registration statement to: (i) Include any prospectus required by Section 10(a)(3) of the Securities Act; (ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) Include any additional or changed material information on the plan of distribution. 2. The Registrant will, for determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering. 3. The Registrant will file a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering. 4. The Registrant will provide to each purchaser, if any, at the closing certificates in such denominations and registered in such names to permit prompt delivery to each purchaser. 5. Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. 6. For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant under Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time the Commission declared it effective. /55/ Signatures Pursuant to the requirements of the Securities and Exchange Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all



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of the requirements of filing on Form SB-2 and has duly caused this Form SB-2 Registration Statement to be signed on its behalf by the undersigned, there unto duly authorized, in the City of New York, State of New York on the 26th day of November 2002. CareDecision Corporation /s/ Robert Cox By: ----- Robert Cox President, Secretary, Treasurer, Director, and Chief Executive Officer POWER OF ATTORNEY Pursuant to the requirements of the Act, the following persons in the capacities and on the dates indicated have signed this Registration Statement. We, the undersigned officers and directors of CareDecision Corporation hereby severally constitute and appoint Thomas C. Cook, our true and lawful attorney-in-fact and agent with full power of substitution for us in our stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and all documents relating thereto, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent in full power and authority to do and perform each and every act and thing necessary or advisable to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in- fact and agent or his substitute or substitutes, any lawfully do or cause to be done by virtue hereof. SIGNATURE TITLE DATE /s/ Robert Cox President, November 26, 2002 ----- Director, ----- Robert Cox Chief Executive Officer, Secretary and Treasurer End of Filing /56/