



March 6, 2009

Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N. W., Suite 1064
Washington, D.C. 20220

Sent via e-mail – SIGTARP.response@do.treas.gov

Dear Sir or Madam,

We make the following response to your letter dated February 6, 2009:

(1) a. Narrative response specifically outlining anticipated use of TARP funds.

On December 4, 2008, Colony Bankcorp, Inc. ("Colony") received preliminary approval for participation in the U. S. Treasury Capital Program ("CPP"), and on January 9, 2009, Colony consummated the sale of \$28,000,000 in preferred stock and related warrants to the U. S. Treasury Department ("Treasury"). Colony elected to participate to take advantage of the likely one-time opportunity to receive a very low-cost source of capital. Colony's participation in the CPP strengthens its current well-capitalized position and increases liquidity. Colony management believes maintenance of capital at elevated levels during the current challenging economic environment is desirable. In the spirit of the program Colony anticipates using this capital to expand its business through extension of credit to worthy borrowers, to purchase mortgage-backed securities pooled and issued by Fannie Mae, Freddie Mac and Ginnie Mae to enhance the housing market and to reduce brokered deposits on our books.

(1) b. Narrative response whether the TARP funds were segregated from other institutional funds.

We did not segregate these funds other than to set up within our capital accounts a preferred stock account to post the proceeds from the transaction.

(1) c. Narrative response as to our actual use to date.

Use of funds to date:

- (a) New and renewed loan originations for January and February 2009 total \$121,153,358, of which, \$53,660,467 represent new loan extensions either funded or committed.
- (b) New mortgage-backed securities purchases during January and February

2009 total \$204,746,308. These purchases are offset by balance sheet restructuring in which \$176,129,432 mortgage-backed securities were sold and another \$6,079,494 mortgage-backed securities payments were received, thus a net increase in mortgage-backed securities of \$22,537,382.

- (c) Brokered deposits totaled \$131,957,550 at December 31, 2008 while brokered deposits totaled \$117,791,919 at February 28, 2009, thus a reduction of \$14,165,631.

Use of funds improved capital to approximately 15% total capital to risk-weighted assets and has resulted in an increase of core deposits to further enhance our liquidity as depositors have a comfort level placing funds at Colony based on our strong capital position. This further enhances our ability to maintain liquidity and be able to extend new credit to worthy borrowers and to purchase mortgage-backed securities.

(1) d. Narrative response of expected use of unspent TARP funds.

Colony expects to continue using its capital base (including TARP funds) to extend credit to worthy borrowers and to purchase mortgage-backed securities to enhance the housing market.

(2) Specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding.

Specifically, Colony intends to comply with standards and guidelines set forth for participants in the CPP, though with all of the changing rules and guidelines it has been difficult to address new issues immediately.

Initially, CPP required certain compensation standards that applied to chief executive officer, chief financial officer, plus the next three most highly compensated executive officers. These standards include:

- a. ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution;
- b. requiring claw back of any bonus or incentive compensation paid to a senior executive based on statement of earnings, gains, or other criteria that are later proven to be materially inaccurate;
- c. prohibiting the financial institution from making any golden parachute payment (based on the Internal Code provision) to a senior executive; and
- d. agreeing not to deduct for tax purposes executive compensation in excess of \$500,000 for each senior executive.

The Compensation Committee reviewed these standards and assessed being compliant with the CPP standards set forth. No modifications were immediately necessary to the compensation programs other than requiring each named Executive Officer ("NEO") to sign a waiver to incorporate the required claw back provisions. Pursuant to participation in the CPP, the

Compensation Committee is required to annually review and assess for any "unnecessary and excessive" risk in the compensation programs for Executive Officers. The Compensation Committee has completed its assessment and has authorized the CEO to certify with CPP within prescribed time period that the Compensation Committee has complied with this standard and that compensation programs are compliant.

We are still reviewing recent law that impacts executive compensation as referenced by the America Reinvestment and Recovery Act of 2009 (ARRA"). One ARRA key feature is prohibition of bonus and similar payments to top employees.

[REDACTED]

b(4)

We are now trying to understand, interpret and then comply with the broader and stricter restrictions with the ARRA initiatives, but be assured that it is our intent to be fully compliant while we participate in the CPP program. The additional restrictions imposed by ARRA implement many, but not all, of the restrictions of the Treasury Guidelines. The fact that Congress in enacting ARRA endorsed much (but not all) of the Treasury Guidelines brings into questions whether the other restrictions in the Treasury Guidelines will be enacted. On the other hand, ARRA in many instances provides broad rule-making authority to both Treasury and the SEC, and any requirement of the Treasury Guidelines not enacted by Congress in ARRA might be implemented by Treasury or the SEC through their rule-making authority. As a result, until Treasury and the SEC publish their new rules, many aspects of the ARRA restrictions will not be clear.

I'm sure that you can relate to our frustration in consummating our TARP transaction on January 9, 2009 with what we thought were set standards and restrictions that we agreed to – only to have new restrictions seemingly applied and changed almost daily. The Compensation Committee will consider these new limits on executive compensation and determine how they impact the Company's executive compensation program, but as previously indicated

we intend to be fully compliant while participating in the CPP.

Please find enclosed documentation supporting our loan activity in January and February 2009 along with documentation supporting our mortgage-backed securities activities in January and February 2009. As CFO of the company, a statement certifying the accuracy of all statements, representations and supporting documentation is provided.

Originals of this response along with supporting documentation and the certification statement will be mailed via U. S. Postal service per your instructions.

I trust that our response is in line with your requests. Should you have any questions or comment, please do not hesitate to contact me at 229-426-6002.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry L. Hester", with a long horizontal flourish extending to the right.

Terry L. Hester
Chief Financial Officer

Colony Bank
 Monthly Report of New & Renewed Loans
 All Branches
 JAN 2009

| | DATE PROC | BR | BR DESC | NEW LOANS | RENEWED LOANS | TOTAL LOANS |
|----|-----------|-----|--------------------|-----------------|---------------|----------------|
| 1 | 2/1/2009 | 101 | Columbus | 1,082,516.62 | 6,145,011.15 | 7,227,527.77 |
| 2 | 2/1/2009 | 102 | Ledo | 1,565,116.03 | 698,503.26 | 2,263,619.29 |
| 3 | 2/1/2009 | 103 | Leesburg | 33,495.00 | 441,654.66 | 475,149.66 |
| 4 | 2/1/2009 | 105 | Thomaston | 495,599.96 | 172,014.13 | 667,614.09 |
| 5 | 2/1/2009 | 106 | Chehaw | 328,628.16 | 331,583.88 | 660,212.04 |
| 6 | 2/1/2009 | 107 | Savannah | 1,817,050.00 | 2,516,565.35 | 4,333,615.35 |
| 7 | 2/1/2009 | 108 | Centerville | 185,050.00 | 1,427,139.89 | 1,612,189.89 |
| 8 | 2/1/2009 | 109 | Warner Robins | 471,502.00 | 405,420.03 | 876,922.03 |
| 9 | 2/1/2009 | 110 | Valdosta - Camelot | 1,372,744.65 | 2,154,646.64 | 3,527,391.29 |
| 10 | 2/1/2009 | 111 | Valdosta - Ashley | 1,723,889.46 | 70,131.54 | 1,794,021.00 |
| 11 | 2/1/2009 | 201 | Rochelle | 3,092,953.75 | 1,131,587.34 | 4,224,541.09 |
| 12 | 2/1/2009 | 203 | Cordele | 1,063,146.80 | 71,653.47 | 1,134,800.27 |
| 13 | 2/1/2009 | 204 | Ashburn | * 26,118,177.55 | 3,016,874.76 | 29,135,052.31* |
| 14 | 2/1/2009 | 205 | Moultrie | 461,412.22 | 1,158,646.05 | 1,620,058.27 |
| 15 | 2/1/2009 | 206 | Tifton - Main | 582,129.11 | 709,966.72 | 1,292,095.83 |
| 16 | 2/1/2009 | 207 | Tifton - Village | 16,285.31 | 369,077.57 | 385,362.88 |
| 17 | 2/1/2009 | 208 | Sylvester | 1,089,594.83 | 1,732,895.38 | 2,822,490.21 |
| 18 | 2/1/2009 | 209 | Fitzgerald | 2,594,814.99 | 3,547,507.92 | 6,142,322.91 |
| 19 | 2/1/2009 | 210 | Douglas - Ward St. | 3,841,091.85 | 4,874,641.73 | 8,715,733.58 |
| 20 | 2/1/2009 | 212 | Broxton | 251,572.08 | 48,508.22 | 300,080.30 |
| 21 | 2/1/2009 | 213 | Quitman | 472,508.78 | 652,006.44 | 1,124,515.22 |
| 22 | 2/1/2009 | 215 | Soperton | 6,491.76 | 172,933.42 | 179,425.18 |
| 23 | 2/1/2009 | 216 | Eastman | 403,269.70 | 1,046,977.51 | 1,450,247.21 |
| 24 | 2/1/2009 | 254 | | | 10,256.00 | 10,256.00 |
| 25 | 2/1/2009 | 301 | Bought Participati | | 300,000.00 | 300,000.00 |
| 26 | Summary | | | 49,069,040.61 | 33,206,203.06 | 82,275,243.67 |

Coding Error
 Adjustment < 22,200,000.00 >

26,869,040.61

< 22,200,000.00 >

60,075,243.67

**Colony Bank
Monthly Report of New & Renewed Loans**

All Branches
Feb 2009

| | DATE PROC | BR | BR DESC | NEW LOANS | RENEWED LOANS | TOTAL LOANS |
|----|-----------|-----|--------------------|---------------|---------------|---------------|
| 1 | 3/1/2009 | 1 | | 8,114.00 | | 8,114.00 |
| 2 | 3/1/2009 | 101 | Columbus | 510,351.44 | 668,793.76 | 1,179,145.20 |
| 3 | 3/1/2009 | 102 | Ledo | 7,843,073.45 | 1,244,312.15 | 9,087,385.60 |
| 4 | 3/1/2009 | 103 | Leesburg | 144,210.75 | 63,077.79 | 207,288.54 |
| 5 | 3/1/2009 | 104 | Ogeechee | 200,100.00 | | 200,100.00 |
| 6 | 3/1/2009 | 105 | Thomaston | 243,083.07 | 888,106.64 | 1,131,189.71 |
| 7 | 3/1/2009 | 106 | Chehaw | 138,704.96 | 1,191,831.65 | 1,330,536.61 |
| 8 | 3/1/2009 | 107 | Savannah | 1,022,426.63 | 8,768,431.60 | 9,790,858.23 |
| 9 | 3/1/2009 | 108 | Centerville | 315,100.00 | 229,268.21 | 544,368.21 |
| 10 | 3/1/2009 | 109 | Warner Robins | 767,566.95 | 1,073,473.87 | 1,841,040.82 |
| 11 | 3/1/2009 | 110 | Valdosta - Camelot | 882,091.59 | 3,002,520.53 | 3,884,612.12 |
| 12 | 3/1/2009 | 111 | Valdosta - Ashley | 156,765.39 | 76,566.88 | 233,332.27 |
| 13 | 3/1/2009 | 201 | Rochelle | 4,393,788.59 | 429,645.48 | 4,823,434.07 |
| 14 | 3/1/2009 | 203 | Cordale | 511,460.66 | 217,561.42 | 729,022.08 |
| 15 | 3/1/2009 | 204 | Ashburn | 889,975.26 | 668,893.42 | 1,558,868.68 |
| 16 | 3/1/2009 | 205 | Moultrie | 827,979.73 | 1,632,975.21 | 2,460,954.94 |
| 17 | 3/1/2009 | 206 | Tifton - Main | 340,574.25 | 544,295.45 | 884,869.70 |
| 18 | 3/1/2009 | 207 | Tifton - Village | 45,279.00 | 22,685.84 | 67,964.84 |
| 19 | 3/1/2009 | 208 | Sylvester | 2,215,611.61 | 854,192.15 | 3,069,803.76 |
| 20 | 3/1/2009 | 209 | Fitzgerald | 2,655,225.80 | 3,586,579.98 | 6,241,805.78 |
| 21 | 3/1/2009 | 210 | Douglas - Ward St. | 1,083,382.06 | 1,193,413.65 | 2,276,795.71 |
| 22 | 3/1/2009 | 211 | Palms | 4,982.00 | | 4,982.00 |
| 23 | 3/1/2009 | 212 | Broxton | 170,739.99 | 3,325,853.34 | 3,496,593.33 |
| 24 | 3/1/2009 | 213 | Quitman | 276,397.15 | 962,968.22 | 1,239,365.37 |
| 25 | 3/1/2009 | 215 | Soperton | 25,309.65 | 161,108.77 | 186,418.42 |
| 26 | 3/1/2009 | 216 | Eastman | 1,004,267.59 | 1,158,131.94 | 2,162,399.53 |
| 27 | 3/1/2009 | 301 | Bought Participati | 114,864.41 | 2,322,000.00 | 2,436,864.41 |
| 28 | Summary | | | 26,791,425.98 | 34,288,687.95 | 61,078,113.93 |

Colony Bankcorp
Investments
Book Value Totals
2009

| | Colony Bank | | | | |
|---------------|---------------------------|-------------------------|-------|---------------|------------------------------|
| | Purchases | Sales | Calls | Maturities | MBS Paydown |
| January | (189,217,130.33) | 171,298,753.59 | | 0.00 | 0.00 2,327,410.07 |
| February | (15,529,178.13) | 4,830,678.04 | | 0.00 | 0.00 3,752,084.10 |
| March | | | | | |
| April | | | | | |
| May | | | | | |
| June | | | | | |
| July | | | | | |
| August | | | | | |
| September | | | | | |
| October | | | | | |
| November | | | | | |
| December | | | | | |
| Totals | (\$204,746,308.46) | \$176,129,431.63 | | \$0.00 | \$0.00 \$6,079,494.17 |



Date: March 6, 2009

To: Office of the Special Inspector General
Troubled Asset Relief Program

From: Terry L. Hester
CFO
Colony Bankcorp, Inc.

I, Terry L. Hester, CFO of Colony Bankcorp, Inc. hereby certify to the best of my knowledge that all statements, representations and supporting documentation in our response to Office of the Special Inspector General- TARP dated March 6, 2009 are true and accurate. This certification is dated this 6th day of March, 2009.

A handwritten signature in black ink, appearing to read "Terry L. Hester", written over a horizontal line.

Terry L. Hester
CFO
Colony Bankcorp, Inc.