Document And Entity Information

Document And Entity Information	9 Months Ended	
	Sep. 30, 2011	Nov. 01, 2011
Document And Entity Information [Abstract]		
Document Type	10-Q	
Amendment Flag	false	
Document Period End Date	Sep. 30, 2011	
Document Fiscal Period Focus	Q3	
Document Fiscal Year Focus	2011	
Entity Registrant Name	CORNERSTONE BANCORP/SC	
Entity Central Index Key	0001087455	
Current Fiscal Year End Date	--12-31	
Entity Filer Category	Smaller Reporting Company	
Entity Common Stock, Shares Outstanding		2,210,769

Consolidated Balance Sheets

Consolidated Balance Sheets (USD $)	Sep. 30, 2011	Dec. 31, 2010
Assets		
Cash and due from banks	$ 8,378,374	$ 7,043,911
Federal funds sold	12,120,000	5,110,000
Cash and cash equivalents	20,498,374	12,153,911
Investment securities		
Available for sale	26,090,418	23,592,336
Other investments	936,350	1,063,350
Loans, net	96,298,205	117,210,770
Property and equipment, net	5,080,925	5,230,835
Cash surrender value of life insurance policies	1,958,462	1,908,112
Real estate acquired in foreclosure	14,323,423	10,278,599
Other assets	1,143,660	2,530,552
Total assets	166,329,817	173,968,465
Liabilities and Shareholders' Equity		
Noninterest bearing	14,324,439	10,382,882
Interest bearing	124,332,179	130,263,510
Total deposits	138,656,618	140,646,392
Retail repurchase agreements and sweeps	1,746,583	2,945,937
Borrowings from Federal Home Loan Bank of Atlanta	2,479,213	6,592,338
Broker repurchase agreements	5,000,000	5,000,000
Other liabilities	678,454	425,086
Total liabilities	148,560,868	155,609,753
Shareholders' equity		
Preferred stock, 10,000,000 shares authorized, 1,038 shares issued	998,538	998,538
Common stock, no par value, 20,000,000 shares authorized, 2,210,769 shares issued	18,897,953	18,859,924
Retained deficit	(2,628,558)	(1,418,781)
Accumulated other comprehensive income (loss)	501,016	(80,969)
Total shareholders' equity	17,768,949	18,358,712
Total liabilities and shareholders' equity	$ 166,329,817	$ 173,968,465

Consolidated Balance Sheets (Parenthetical)

Consolidated Balance Sheets (Parenthetical) (USD $)	Sep. 30, 2011	Dec. 31, 2010
Consolidated Balance Sheets [Abstract]		
Preferred stock, shares authorized	10,000,000	10,000,000
Preferred stock, shares issued	1,038	1,038
Common stock, no par value		
Common stock, shares authorized	20,000,000	20,000,000
Common stock, shares issued	2,210,769	2,210,769

Consolidated Statements Of Income (Loss)

Consolidated Statements Of Income (Loss) (USD $)	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Interest and Dividend Income				
Interest and fees on loans	$ 1,396,052	$ 1,720,881	$ 4,487,986	$ 5,265,757
Investment securities	222,070	231,689	635,821	732,351
Federal funds sold and interest bearing balances	4,885	5,165	11,546	12,227
Total interest income	1,623,007	1,957,735	5,135,353	6,010,335
Interest Expense				
Deposits	334,728	563,851	1,155,692	1,813,410
Borrowings	69,975	113,181	222,601	323,662
Total interest expense	404,703	677,032	1,378,293	2,137,072
Net Interest Income	1,218,304	1,280,703	3,757,060	3,873,263
Provision for Loan Losses	135,000	180,000	395,000	1,080,000
Net interest income after provision for loan losses	1,083,304	1,100,703	3,362,060	2,793,263
Noninterest Income				
Service charges on deposit accounts	142,000	133,580	384,566	398,132
Other	47,872	57,930	147,986	153,324
Total noninterest income	189,872	191,510	532,552	551,456
Noninterest Expense				
Salaries and employee benefits	547,108	559,087	1,651,236	1,687,572
Premises and equipment	133,845	135,145	401,586	420,127
Loss on sale of foreclosed property	96,306	39,506	146,705	138,649
Foreclosed property expenses	195,846	482,850	738,608	703,989
Professional and regulatory fees	136,598	168,296	439,334	422,145
Data processing	60,671	58,779	178,379	172,921
Supplies	16,287	16,294	61,402	50,393
Advertising	5,787	6,314	21,206	16,867
Other	181,424	198,626	557,492	578,369
Total noninterest expense	1,373,872	1,664,897	4,195,948	4,191,032
Net loss before taxes	(100,696)	(372,684)	(301,336)	(846,313)
Income tax expense (benefit)	908,441	(125,219)	908,441	(335,973)
Net loss	(1,009,137)	(247,465)	(1,209,777)	(510,340)
Preferred stock dividend accumulated	(22,408)	(9,356)	(65,217)	(9,356)
Loss available to common shareholders	$ (1,031,545)	$ (256,821)	$ (1,274,994)	$ (519,696)
Loss Per Common Share				
Basic	$ (0.47)	$ (0.12)	$ (0.58)	$ (0.24)
Diluted	$ (0.47)	$ (0.12)	$ (0.58)	$ (0.24)
Weighted Average Shares Outstanding				
Basic	2,210,769	2,210,769	2,210,769	2,210,769
Diluted	2,210,769	2,210,769	2,210,769	2,210,769

Consolidated Statements Of Shareholders' Equity And Comprehensive Income (Loss)

Consolidated Statements Of					

Shareholders' Equity And Comprehensive Income (Loss) (USD $)	Preferred Stock [Member]	Common Stock [Member]	Retained Deficit [Member]	Accumulated Other Comprehensive Income (Loss) [Member]	Total
Balance at Dec. 31, 2009		$ 18,799,728	$ (921,014)	$ 160,691	$ 18,039,405
Balance, shares at Dec. 31, 2009		2,105,738			
Net loss			(510,340)		(510,340)
Other comprehensive income, net of income taxes					
Unrealized gain on investment securities, net				408,874	408,874
Comprehensive loss					(101,466)
Stock based compensation		45,915			45,915
Issuance of 8% cumulative perpetual preferred stock, net of expenses of $39,462	998,538				998,538
Issuance of 8% cumulative perpetual preferred stock, shares	1,038				
Stock dividend declared (5%), recorded as a stock split		(1,024)			(1,024)
Stock dividend declared (5%), recorded as a stock split, shares		105,031			
Balance at Sep. 30, 2010	998,538	18,844,619	(1,431,354)	569,565	18,981,368
Balance, shares at Sep. 30, 2010	1,038	2,210,769			
Balance at Dec. 31, 2010	998,538	18,859,924	(1,418,781)	(80,969)	18,358,712
Balance, shares at Dec. 31, 2010	1,038	2,210,769			
Net loss			(1,209,777)		(1,209,777)
Other comprehensive income, net of income taxes					
Unrealized gain on investment securities, net				581,985	581,985
Comprehensive loss					(627,792)
Stock based compensation		38,029			38,029
Balance at Sep. 30, 2011	$ 998,538	$ 18,897,953	$ (2,628,558)	$ 501,016	$ 17,768,949
Balance, shares at Sep. 30, 2011	1,038	2,210,769			

Consolidated Statements Of Shareholders' Equity And Comprehensive Income (Loss) (Parenthetical)

Consolidated Statements Of Shareholders' Equity And Comprehensive Income (Loss) (Parenthetical) (USD $)	9 Months Ended
	Sep. 30, 2010
Consolidated Statements Of Shareholders' Equity And Comprehensive Income (Loss) [Abstract]	
Stock dividend declared, percentage	5.00%
Issuance of 8% cumulative perpetual preferred stock, expenses	$ 39,462
Cumulative perpetual preferred stock, dividend percentage	8.00%

Consolidated Statements Of Cash Flows

Consolidated Statements Of Cash Flows (USD $)	9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010
Operating Activities		
Net loss	$ (1,209,777)	$ (510,340)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	377,959	344,610
Provision for loan losses	395,000	1,080,000
Write-down of other real estate owned	358,965	425,506

Non-cash option expense	38,029	45,915
Loss on sale of foreclosed property	146,705	138,649
Loss on retirement of fixed assets	3,539	
Valuation allowance on deferred tax asset	908,441	
Changes in operating assets and liabilities		
Change in interest receivable	89,451	94,102
Change in other assets	338,650	1,185,039
Change in other liabilities	(46,443)	(119,785)
Net cash provided by operating activities	1,400,519	2,683,696
Investing Activities		
Proceeds from maturities and principal repayments of available for sale securities	5,457,785	7,046,916
Purchase of investment securities available for sale	(7,274,933)	(3,126,338)
Proceeds from sale of foreclosed property	3,533,327	3,439,925
Purchase of Federal Reserve Bank stock	(17,900)	
Redemption of FHLB stock	144,900	52,900
Purchase of property and equipment	(31,151)	(126,532)
Capitalization of improvements to foreclosed property	(171,976)	(275,489)
Proceeds from sale of fixed assets	425	
Net decrease in loans to customers	12,605,720	6,726,947
Net cash provided by investing activities	14,246,197	13,738,329
Financing Activities		
Net decrease in demand, savings and time deposits	(1,989,774)	(4,900,902)
Net decrease in customer repurchase agreements	(1,199,354)	(477,945)
Repayment of FHLB advances	(4,113,125)	(3,113,125)
Cash paid in lieu of fractional shares related to stock dividend		(1,024)
Proceeds from sale of preferred stock, net		998,538
Net cash used by financing activities	(7,302,253)	(7,494,458)
Net increase in cash and cash equivalents	8,344,463	8,927,567
Cash and Cash Equivalents, Beginning of Period	12,153,911	6,039,596
Cash and Cash Equivalents, End of Period	20,498,374	14,967,163
Supplemental Information		
Cash paid for interest	1,419,617	2,159,100
Refund received for income taxes	(208,897)	(784,877)
Non-cash Supplemental Information		
Loans transferred to other real estate owned	7,911,845	5,356,004
Loans charged-off, net	$ 946,745	$ 857,452

Nature Of Business And Basis Of Presentation

Nature Of Business And Basis Of Presentation	9 Months Ended
	Sep. 30, 2011
Nature Of Business And Basis Of Presentation [Abstract]	
Nature Of Business And Basis Of	**Note 1. Nature of Business and Basis of Presentation**

Presentation

Summary of Significant Accounting Principles
A summary of significant accounting policies is included in the Cornerstone Bancorp (the "Company") 2010 Annual Report to Shareholders, which also contains the Company's audited financial statements for 2010 and is also included in the Form 10-K for the year ended December 31, 2010.

Principles of Consolidation
The consolidated financial statements include the accounts of Cornerstone Bancorp, the parent company, and Cornerstone National Bank (the "Bank"), its wholly owned subsidiary, and Crescent Financial Services, Inc., a wholly owned subsidiary of the Bank. All significant intercompany items have been eliminated in the consolidated statements. Certain amounts have been reclassified to conform to current year presentation.

Management Opinion
The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q. Accordingly they do not contain all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The financial statements in this report are unaudited. In the opinion of management, all adjustments necessary to present a fair statement of the results for the interim period have been made. Such adjustments are of a normal and recurring nature. The results of operations for any interim period are not necessarily indicative of the results to be expected for an entire year. These interim financial statements should be read in conjunction with the annual financial statements and notes thereto contained in the 2010 Annual Report on Form 10-K.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of interest and noninterest income and expenses during the reporting period. Actual results could differ from those estimates. The primary significant estimate in the accompanying consolidated financial statements is the allowance for loan losses. A discussion of the significant factors involved in estimating the allowance for loan losses is included in this Form 10-Q in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the section titled "Results of Operations" and in the Company's 2010 Form 10-K. The provision for income taxes and the valuation of other real estate owned are also considered significant estimates.

Formal Agreement with the Office of the Comptroller of the Currency
On May 12, 2010, the Bank entered into a formal agreement with the OCC for the Bank to take various actions with respect to the operation of the Bank. The actions include creation of a committee of the Bank's board of directors to monitor compliance with the agreement and make quarterly reports to the board of directors and the OCC; assessment and evaluation of management and members of the board; development, implementation and adherence to a written program to improve the Bank's loan portfolio management; protection of the Bank's interest in its criticized assets; implementation of a program that identifies and manages concentrations of credit risk (see Note 4); extension of the Bank's strategic plan; extension of the Bank's capital program and profit plan; additional plans for ensuring that the level of liquidity at the Bank is sufficient to sustain the current operations and withstand any anticipated or extraordinary demand; and a requirement for obtaining a determination of no supervisory objection from the OCC before accepting brokered deposits. The substantive actions called for by the agreement should strengthen the Bank and make it more efficient in the long-term. The Bank believes it has taken appropriate actions at September 30, 2011 to comply with the requirements included in the formal agreement.

Subsequent Events
In accordance with the accounting standard regarding subsequent events, management performed an evaluation to determine whether or not there have been any subsequent events since the balance sheet date that would be required to be included in these financial statements and concluded that there were none.

Accounting Developments
The following is a summary of recent authoritative pronouncements that may affect accounting, reporting, and disclosure of financial information by the Company:

In July 2010, the Receivables topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") was amended by Accounting Standards Update ("ASU") 2010-20 to require expanded disclosures related to a company's allowance for credit losses and the credit quality of its financing receivables. The amendments require the allowance disclosures to be provided on a disaggregated basis. The Company is required to include these disclosures in its interim and annual financial statements. See Note 3.

In April 2011, FASB issued ASU 2011-02 to assist creditors with their determination of when a restructuring is a Troubled Debt Restructuring ("TDR"). The determination is based on both whether the restructuring constitutes a concession and whether the debtor is experiencing financial difficulties. Disclosures related to TDRs under ASU 2010-20 were effective for reporting periods beginning after June 15, 2011. Adoption of the standard did not have a material effect on the financial statements. Disclosures related to TDRs under ASU 2010-20 have been presented in Note 3.

In April 2011, the criteria used to determine effective control of transferred assets in the Transfers and Servicing topic of the ASC was amended by ASU 2011-03. The requirement for the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms and the collateral maintenance implementation guidance related to that criterion were removed from the assessment of effective control. The other criteria to assess effective control were not changed. The amendments are effective for the Company beginning January 1, 2012 but are not expected to have a material effect on the financial statements.

ASU 2011-04 was issued in May 2011 to amend the Fair Value Measurement topic of the ASC by clarifying the application of existing fair value measurement and disclosure requirements and by changing particular principles or requirements for measuring fair value or for disclosing information about fair value measurements. The amendments will be effective for the Company beginning January 1, 2012 but are not expected to have a material effect on the financial statements.

The Comprehensive Income topic of the ASC was amended in June 2011. The amendment eliminates the option to present other comprehensive income as a part of the statement of changes in stockholders' equity. The amendment requires consecutive presentation of the statement of net income and other comprehensive income and requires an entity to present reclassification adjustments from other comprehensive income to net income on the face of the financial statements. The amendments will be applicable to the Company on January 1, 2012 and will be applied retrospectively. They are not expected to have an effect on the financial statements.

Accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Investment Securities

Investment Securities	9 Months Ended Sep. 30, 2011
Investment Securities [Abstract]	
Investment Securities	**Note 2. Investment Securities**

The amortized cost and fair value of investment securities available-for-sale are as follows:

	September 30, 2011			
	Amortized Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Government sponsored enterprise bonds	$ 2,000,000	$ 898	$ -	$ 2,000,898
Mortgage-backed securities	15,019,877	363,045	1,559	15,381,363
Municipal bonds	8,311,547	400,977	4,367	8,708,157
Total investment securities available-for-sale	$ 25,331,424	$ 764,920	$ 5,926	$ 26,090,418

	December 31, 2010			
	Amortized Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Government sponsored enterprise bonds	$ 4,486,806	$ 21,597	$ 131,752	$ 4,376,651
Mortgage-backed securities	10,909,120	132,800	48,842	10,993,078
Municipal bonds	8,319,212	123,001	219,606	8,222,607
Total investment securities available-for-sale	$ 23,715,138	$ 277,398	$ 400,200	$ 23,592,336

In 2011 there have been no realized gains or losses on sales of investment securities, and no other than temporary losses recognized. Securities with a book value of $13.5 million and a market value of $14.0 million are pledged against FHLB advances or public deposits as of September 30, 2011.

The amortized cost and fair value of securities at September 30, 2011, by contractual maturity, are shown in the following chart. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

September 30, 2011

	Amortized Cost	Fair Value
Due after one through five years	$ 1,008,402	$ 1,058,684
Due after five through ten years	3,316,449	3,428,880
After ten years	21,006,573	21,602,854
Total investment securities	$ 25,331,424	$ 26,090,418

Other investments include stock in the Federal Home Loan Bank of Atlanta ("FHLB") and the Federal Reserve Bank ("FRB"). FHLB stock and FRB stock are recorded at cost which approximates fair value. Amounts of FRB stock and FHLB stock held as of September 30, 2011 were $423,350 and $513,000, respectively.

Loans Receivable And The Allowance For Loan Losses

Loans Receivable And The Allowance For Loan Losses	9 Months Ended Sep. 30, 2011
Loans Receivable And The Allowance For Loan Losses [Abstract]	
Loans Receivable And The Allowance For Loan Losses	Note 3. Loans Receivable and the Allowance for Loan Losses

Note 3. Loans Receivable and the Allowance for Loan Losses

Loan Portfolio Composition

One of the primary components of the Bank's loan portfolio is loans secured by first or second mortgages on residential and commercial real estate. These loans generally consist of short to mid-term commercial real estate loans, construction and development loans and residential real estate loans (including home equity and second mortgage loans). Interest rates may be fixed or adjustable and the Bank frequently charges an origination fee. The Bank seeks to manage credit risk in the commercial real estate portfolio by emphasizing loans on owner-occupied office and retail buildings where the loan-to-value ratio at origination, established by independent appraisals, does not exceed 80%. In addition, the Bank generally requires personal guarantees of the principal owners of the property. The loan-to-value ratio at origination for first and second mortgage loans generally does not exceed 80%, and for construction loans, generally does not exceed 75% of cost. The Bank employs a reappraisal policy to routinely monitor real estate collateral values on real estate loans where the repayment is dependent on sale of the collateral. In addition, in an effort to control interest rate risk, long term residential mortgages are not originated for the Bank's portfolio.

The Bank does not make long term (more than 15 years) mortgage loans to be held in its portfolio, and does not offer loans with negative amortization features or long-term interest only features, or loans with loan to collateral value ratios in excess of 100% at the time the loan is made. The Bank does offer loan products with features that can increase credit risk during periods of declining economic conditions, such as adjustable rate loans, short-term interest-only loans, and loans with amortization periods that differ from the maturity date (i.e., balloon payment loans). However, the Bank evaluates each customer's creditworthiness based on the customer's individual circumstances, and current and expected economic conditions, and underwrites and monitors each loan for associated risks. Loans made with exceptions to internal loan guidelines and those with loan-to-value ratios in excess of regulatory loan-to-value guidelines are monitored and reported to the Board of Directors on a monthly basis. The regulatory loan-to-value guidelines permit exceptions to the guidelines up to a maximum of 30% of total capital for commercial loans and exceptions for all types of real estate loans up to a maximum of 100% of total capital. As of September 30, 2011, the Bank had $3.0 million of loans which exceeded the regulatory loan to value guidelines. This amount is within the maximum allowable exceptions to the guidelines. Of the $3.0 million of loans with exceptions to the regulatory loan to value guidelines, $2.5 million, or approximately 80%, were not exceptions at the time the loans were made, but became exceptions upon reappraisal. Management routinely reappraises real estate collateral based on specific criteria and circumstances. If additional collateral is available, the Bank may require the borrower to commit additional collateral to the loan or take other actions to mitigate the Bank's risk.

The following table summarizes the composition of our loan portfolio by portfolio segment.

	September 30, 2011		December 31, 2010	
	Amount	% of Loans	Amount	% of Loans
Loans secured by real estate – construction	$ 31,041,233	31.5%	$ 41,855,338	34.9%
Loans secured by real estate – single family (1)	15,048,907	15.3	19,604,943	16.3
Loans secured by real estate –nonfarm, nonresidential	39,927,435	40.6	43,080,225	36.0
Loans secured by real estate –Multifamily	1,744,755	1.8	1,793,400	1.5
Commercial and industrial	9,965,881	10.1	12,580,841	10.5
Consumer loans	721,679	.7	999,453	.8
Total Loans	98,449,890	100.0%	119,914,200	100.0%
Less allowance for loan losses	(2,151,685)		(2,703,430)	

Net Loans	$ 96,298,205	$ 117,210,770

(1) Includes HELOC loans. Portfolio Segment MethodologyThe Bank segments its loan portfolio into groups of loans that mirror the regulatory reporting segments for loans, which are based on specific definitions in the Code of Federal Regulations. Those categories are presented in the table above and are the same categories used by management to analyze credit quality and the adequacy of the allowance for loan losses. The Bank has been, and will continue to be, reliant on loans with real estate collateral. Under the regulatory guidelines loans with real estate collateral are reported based on various additional sub-categories, such as construction loans, loans collateralized by single family homes, including home equity lines of credit ("HELOC"), and non-residential properties.

Allowance for loan losses

The provision for loan losses charged to operating expenses reflects the amount deemed appropriate by management to establish an adequate reserve to meet the probable loan losses incurred in the current loan portfolio. Management's judgment is based on periodic and regular evaluation of individual loans, the overall risk characteristics of the various portfolio segments, past experience with losses, delinquency trends, and prevailing economic conditions. To estimate the amount of allowance necessary the Company separates the portfolio into segments. The portfolio is first separated into groups according to the internal loan rating assigned by management. Loans rated "Special Mention", "Substandard" "Doubtful" or "Loss," as defined in the Bank's loan policy, are evaluated individually for impairment. The Company uses regulatory call report codes to stratify the remaining portfolio and tracks the Bank's own charge-offs and those of peer banks using FDIC Call Report data. The Bank's own charge-off ratios by call report code are used to project potential loan losses in the future on loans that are rated "Satisfactory" or better. Charge-off ratios may be increased or decreased based on other environmental factors which may need to be considered, such as unemployment rates and volatility of real estate values. While management uses the best information available to it to make evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluations. The allowance for loan losses is also subject to periodic evaluation by various regulatory authorities and may be subject to adjustment upon their examination. See also "Balance Sheet Review-Loans" in Management's Discussion and Analysis of Financial Condition and Results of Operation.

Credit Quality Indicators

Loans on the Bank's watch list (including loans rated Special Mention, Substandard, Doubtful or Loss as defined below and in the Bank's loan policy) are evaluated individually for impairment and are shown in the table below. Loans rated doubtful or loss are generally charged-off, unless specific circumstances warrant the loan's remaining in the portfolio, even with a grade of doubtful or loss. Loans rated Satisfactory are also summarized in the table below.

	September 30, 2011			
	Special Mention	Substandard	Doubtful/ Loss	Satisfactory
Loans secured by real estate – construction	$ 2,202,813	$ 9,889,263	$ -	$ 18,949,157
Loans secured by real estate – single family (1)	724,752	1,171,801	-	13,152,354
Loans secured by real estate – multi-family	-	696,138		1,048,617
Loans secured by real estate –nonfarm, nonresidential	3,963,450	3,212,210	-	32,751,775
Commercial and industrial loans	393,758	149,256	-	9,422,867
Consumer loans	-	279	-	721,400
Total	$ 7,284,773	$ 15,118,947	$ -	$ 76,046,170

	December 31, 2010			
	Special Mention	Substandard	Doubtful/Loss	Satisfactory
Loans secured by real estate – construction	$ 2,217,173	$ 10,608,496	$ -	$ 29,029,669
Loans secured by real estate – single family (1)	1,389,483	2,894,266	-	15,321,194
Loans secured by real estate – multi-family	-	-	-	1,793,400
Loans secured by real estate –nonfarm, nonresidential	1,439,121	661,532	-	40,979,572
Commercial and industrial loans (2)	79,744	86,379	992,027	11,422,691
Consumer loans	1,796	1,869	-	995,788
Total	$ 5,127,317	$ 14,252,542	$ 992,027	$ 99,542,314

(1) Includes HELOC loans.
(2) The total loans classified as doubtful as of December 31, 2010 were repaid in full in 2011 (with no loss to the principal balance for the Company). They were classified as doubtful as of December 31, 2010 because of the possibility that legal proceedings would lengthen the collection time significantly.

A loan classified as Special Mention has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may affect the likelihood of repayment for the loan or result in deterioration of the bank's credit position at some future date. The Substandard rating is applicable to loans having a well-defined weakness in the liquidity or net worth of the borrower or the collateral that could jeopardize the liquidation of the debt. Well-defined weaknesses could include deterioration in the borrower's financial condition or cash flows, significant changes in the value of underlying collateral, or other indicators of weakness. A loan classified as Doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this asset even though partial recovery may be affected in the future.

Loans in all of the above categories (special mention, substandard, doubtful, and loss) are reviewed individually for impairment (see table below) and to determine which category they will be placed in for purposes of the calculation of the allowance for loan losses. Additional assets may also be individually evaluated for impairment.

Delinquent loans and loans on non-accrual are presented by portfolio segment in the table below.

	September 30, 2011		December 31, 2010	
	Past due 30-89 Days	Nonaccrual or Past due over 90 Days	Past due 30-89 Days	Nonaccrual or Past due over 90 Days
Loans secured by real estate – construction	$ 2,513,408	$ 3,670,699	$ 891,035	$ 7,218,012
Loans secured by real estate – single family (1)	305,900	404,087	1,977,519	1,522,290
Loans secured by real estate –nonfarm, nonresidential	457,784	2,463,076	-	-
Commercial and industrial loans	18,258	-	-	992,027
Consumer loans	-	-	-	-
Total	$ 3,295,350	$ 6,537,862	$ 2,868,554	$ 9,732,329

(1) Includes HELOC loans.

Management closely monitors delinquent loans. Construction loans past due 30 to 89 days as of September 30, 2011 increased from December 31, 2010 primarily due to one relationship. As of September 30, 2011 management has evaluated the relationship and believes that a plan is in place to resolve the issues involved. However, management has also evaluated the collateral supporting the loan and believes that sufficient collateral exists to cover the Company's investment in the related loans if foreclosure is ultimately required. The decrease in loans on nonaccrual since December 31, 2010 is primarily due to completion of the foreclosure process for various relationships, net of new loans entering foreclosure.

The table below details amounts of loans collectively or individually evaluated for impairment by portfolio segment.

	September 30, 2011		December 31, 2010	
	Collectively reviewed for impairment	Individually reviewed for impairment	Collectively reviewed for impairment	Individually reviewed for impairment
Loans secured by real estate – construction	$ 18,949,157	$ 12,092,076	$ 29,029,669	$ 12,825,669
Loans secured by real estate – single family (1)	13,152,354	1,896,553	15,321,194	4,283,749
Loans secured by real estate –nonfarm, nonresidential	32,604,147	7,323,288	40,979,572	2,100,653
Loans secured by real estate – multifamily	1,048,617	696,138	1,793,400	-
Commercial and industrial loans	9,422,867	543,014	11,422,691	1,158,150
Consumer loans	721,400	279	995,788	3,665
Total	$ 75,898,542	$ 22,551,348	$ 99,542,314	$ 20,371,886

(1) Includes HELOC loans.

Impaired loans by portfolio segment, the majority of which are included in the table above, as of the dates indicated, were as follows:

	September 30, 2011			December 31, 2010		
	Impaired	% of Total	Related Specific	Impaired	% of Total	Related Specific

	Loans		Reserves	Loans		Reserves
Loans secured by real estate – construction	$ 5,661,109	63.6%	$ 64,144	$ 7,218,013	67.8%	$ 51,280
Loans secured by real estate – single family	410,874	4.6	12,707	2,137,335	20.1	3,287
Loans secured by real estate –nonfarm, nonresidential	2,774,434	31.2	96,327	152,310	1.4	-
Commercial and industrial	58,107	.6	-	1,129,662	10.6	292,000
Consumer loans	-	-	-	1,869	.1	1,869
Total impaired loans (1)	$ 8,904,524	100.0%	$ 173,178	10,639,189	100.0%	$ 348,436
Less related allowance for loan losses	(173,178)			(348,436)		
Net nonperforming loans	$ 8,731,346			$ 10,290,753		

(1) Includes loans on nonaccrual.

Reappraisals are routinely ordered when a loan is collateral dependent and showing signs of weakness. Specifically, the Company's reappraisal policy states that collateral for single family construction loans will be reappraised if the home is complete and remains unsold for twelve months, or if the original loan has been outstanding for eighteen months. For development loans, if lot absorption varies from the original appraiser's estimates by 25% or more, the collateral will be reappraised. Additionally, the Company's guidelines require that real property be appraised prior to renewal, modification, or extension of the loan. Collateral will also be reappraised if there is any indication that the collateral may have decreased significantly in value. An evaluation, rather than a full, certified appraisal, may or may not be used after consideration of the risk involved with the transaction, and the need to remain within safe and sound banking practices. If the value of collateral decreases significantly upon reappraisal, the Company may take any one or a combination of steps to protect its position. Possible actions include requesting additional collateral from the borrower, requiring the borrower to make principal reductions on the loan, or charge-off of a portion of the loan balance.

The Bank accounts for impaired loans in accordance with a financial accounting standard that requires all lenders to value a loan at the loan's fair value if it is probable that the lender will be unable to collect all amounts due according to the terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis taking into consideration all the circumstances of the loan and the borrower, including the length of the delay, reasons for the delay, the borrower's payment record and the amount of the shortfall in relation to the principal and interest owed. The fair value of an impaired loan may be determined based upon the present value of expected cash flows, market price of the loan, if available, or value of the underlying collateral. Expected cash flows are required to be discounted at the loan's effective interest rate. The Bank's loan portfolio is largely dependent on collateral for repayment if the borrower's financial position deteriorates. Therefore, the most common type of valuation is to determine collateral value less disposal costs in order to determine carrying values for loans deemed impaired.

Troubled Debt Restructurings

Loans which management identifies as impaired generally will be nonperforming loans or restructured loans (also known as "troubled debt restructurings" or "TDR's"). As a result of adopting the amendments in ASU 2011-02, the Company reassessed all restructurings that occurred on or after the beginning of the fiscal year of adoption (January 1, 2011) to determine whether they are considered troubled debt restructurings (TDRs) under the amended guidance. The Company identified no loans as TDRs for which the allowance for loan losses had previously been measured under a general allowance methodology.

During the nine months ended September 30, 2011, the Bank modified four loans that were considered to be troubled debt restructurings. We extended the terms for three of these loans and the interest rate was lowered for one of these loans. The table below summarizes loans designated as TDR's during the nine and three months ended September 30, 2011.

	For the nine months ended September 30, 2011		
Troubled Debt Restructurings	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment (1)
Real estate- construction	2	$ 1,993,166	$ 1,993,166
Real estate- nonfarm, nonresidential	2	489,248	489,248
Total	4	$ 2,482,414	$ 2,482,414

	For the three months ended September 30, 2011		
	Number of	Pre-Modification Outstanding Recorded	Post-Modification Outstanding Recorded

Troubled Debt Restructurings	Contracts	Investment	Investment (1)
Real estate- construction	1	$ 1,700,000	$ 1,700,000
Real estate- nonfarm, nonresidential	1	163,730	163,730
Total	2	$ 1,863,730	$ 1,863,730

(1) Principal payments received are reflected in the Post-modification outstanding recorded investment on certain loans.

	For the nine months ended September 30, 2011	
Troubled Debt Restructurings that subsequently defaulted during the period:	Number of Contracts	Recorded Investment
Real estate-nonfarm, nonresidential	1	$ 325,446
Commercial and industrial	1	72,041
Total	2	$ 397,487

	For the three months ended September 30, 2011	
Troubled Debt Restructurings that subsequently defaulted during the period:	Number of Contracts	Recorded Investment
Real estate-nonfarm, nonresidential	1	$ 325,446
Commercial and industrial	1	72,041
Total	2	$ 397,487

Nonperforming Loans

Nonperforming loans include nonaccrual loans or loans which are 90 days or more delinquent as to principal or interest payments. As of September 30, 2011, the Bank had nonaccrual loans of $6.5 million representing 10 loans, a decrease of $3.2 million from December 31, 2010. All of these loans are secured by real estate. In addition to loans on nonaccrual, as of September 30, 2011, management considers another $2.4 million of loans impaired, all of which are TDR's. Management routinely assesses the collateral and other circumstances associated with impaired loans in an effort to determine the amount of potential impairment. These loans are currently being carried at management's best estimate of net realizable value, although no assurance can be given that no further losses will be incurred on these loans until the collateral has been acquired and liquidated or other arrangements can be made. The foreclosure process is lengthy (generally a minimum of six months and often much longer), so loans may be on nonaccrual status for a significant time period prior to moving to other real estate owned. As soon as the amount of impairment is estimable, the amount of principal impairment is generally charged against the allowance for loan losses. However, until losses and selling costs can be estimated via appraisal or other means, a portion of the allowance may be allocated to specific impaired loans. The timing of the appraisal varies from loan to loan depending on the Bank's ability to access the property. As of September 30, 2011 the allowance for loan losses included approximately $173,178 of reserves specifically related to impaired loans. Of that amount, a portion is related to selling costs.

Management's estimates of net realizable value or fair value of real estate collateral are obtained (on a nonrecurring basis) using independent appraisals, less estimated selling costs. Estimates of net realizable value for equipment and other types of personal property collateral are estimated based on input from equipment dealers and other professionals. If an appraisal is not available or management determines that fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as determined by Level 3 inputs as defined by FASB ASC 820, "Fair Value Measurements and Disclosures."

Potential Problem Loans

Management identifies and maintains a list of potential problem loans. These are loans that are not included in nonaccrual status or impaired loans. A loan is added to the potential problem list when management becomes aware of information about possible credit problems of borrowers that causes serious doubts as to the ability of such borrowers to comply with the current loan repayment terms. These loans are designated as such in order to be monitored more closely than other credits in the Bank's portfolio. There were loans in the amount of $4.7 million that have been determined by management to be potential problem loans at September 30, 2011. These loans are generally secured by various types of real estate, but may also be secured with other types of collateral. Should potential problem loans become impaired, management will charge-off any impairment amount as soon as the amount of impairment can be determined.

Concentrations Of Credit Risk

Concentrations Of Credit Risk	9 Months Ended Sep. 30, 2011
Concentrations Of Credit Risk [Abstract]	
Concentrations Of Credit Risk	**Note 4. Concentrations of credit risk** The Bank makes loans to individuals and small businesses located primarily in upstate South Carolina for various personal and commercial purposes. The Bank monitors the portfolio for concentrations of credit on a quarterly basis using North American Industry Codes, ("NAIC") and using definitions required by regulatory agencies. The Bank has loans in two NAIC categories of which each represents more than 10% of the portfolio. The NAIC concentrations are 13.01% in Accommodation and Food services, and 24.0% in Real Estate Rental and Leasing. The NAIC codes that make up various types of construction related companies also represent more than 10% when taken collectively. The portfolio also has loans representing 15 other NAIC categories. The Bank has concentrations in loans collateralized by real estate according to the regulatory definition. Included in this segment of the portfolio is the category for construction and development loans. Construction loans in the Company's portfolio can be further divided into the following sub categories as of September 30, 2011: September 30, 2011 Single family residential construction loans: $ 2,681,727 Acquisition and development loans: 7,512,030 Vacant land loans (not development related): 18,334,068 Other construction and land loans: 2,513,408 Total: $ 31,041,233 While the Bank does have a concentration of loans in this category, the Bank's business is managed in a manner intended to help reduce the risks normally associated with construction lending. Management requires lending personnel to visit job sites, maintain frequent contact with borrowers and perform or commission inspections of completed work prior to issuing additional construction loan draws. Under current policy, loans are limited to 80% of cost of construction projects, and borrowers are required to meet minimum net worth requirements and debt service coverage ratios. Projects for construction of single family homes are generally limited to those projects with contracts for sale where the ultimate owner has a significant investment in the contract. These policies may be considered stricter than policies in place when some of the Bank's currently outstanding loans were originated. However, as loans mature or as new loans are made, the current guidelines described above would be used to underwrite construction loans. The Company does not currently have any acquisition and development loans with interest reserves. Reappraisals are routinely ordered when a loan is collateral dependent and showing signs of weakness. Specifically, the Company's reappraisal policy states that collateral for single family construction loans will be reappraised if the home is complete and remains unsold for twelve months, or if the original loan has been outstanding for eighteen months. For development loans, if lot absorption varies from the original appraiser's estimates by 25% or more, the collateral will be reappraised. Loans with weaknesses that are collateralized with partially constructed projects are generally appraised both "as is" and "as completed." A determination is then made as to the likely disposition of the loan, whether the borrower retains the collateral and completes the project or whether the Company will ultimately foreclose and complete the construction following foreclosure. If foreclosure and completion by the Company are deemed the most likely scenario, and the cost to complete exceeds the collateral value, then the amount of cost to complete in excess of the as completed value of the collateral will generally be charged to the allowance for loan losses. To date very few impaired loans have been returned to accrual status as the result of updated appraisals. However, depending on specific circumstances, loans could potentially return to accrual status if the repayment prospects for the loan have changed significantly. Loans returned to accrual status will generally need to perform for a period of six months prior to being returned to accrual status, unless the underlying characteristics have significantly been altered in a positive manner.

Income Taxes

Income Taxes	9 Months Ended Sep. 30, 2011
Income Taxes [Abstract]	
Income Taxes	**Note 5. Income taxes** The Company accounts for income taxes in accordance with FASB ASC Topic 740, "Income Taxes", a method whereby certain items of income and expense (principally provision for loan losses, depreciation, and prepaid expenses) are included in one reporting period for financial accounting purposes and another for income tax purposes. Refer to the notes to the Company's consolidated financial statements for the year ended December 31, 2010 for more information. The accounting literature states that a deferred tax asset should be reduced by a valuation allowance if, based on the weight of all available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or the entire deferred tax asset will not be realized. The determination of whether a deferred tax asset is realizable is based on weighing all available evidence, including both positive and negative evidence. In making such judgments,

significant weight is given to evidence that can be objectively verified.

To date in 2011, the Company recorded no net income tax expense or benefit. The Company has chosen to effectively reserve any tax benefit that would have accrued until the economic uncertainty in our market areas has subsided or declined. During the third quarter, management evaluated the net deferred tax asset accumulated in periods before 2011 to determine if it remained more-likely-than-not that the deferred tax asset would be realized by the Company in the short term. At the time of the evaluation, management determined that risks to sustained profitability have increased for the short-term due to several factors. These factors include increased regulation, continuation of high nonperforming asset levels, and the Federal Reserve's pledge to keep interest rates low through mid-2013, as well as projections for low growth in the economy of the company's market areas. As a result, during the quarter ended September 30, 2011 management established a valuation allowance on the entire deferred tax asset totaling approximately $908,000. Management will continue to evaluate the deferred tax asset on a quarterly basis and adjust the valuation allowance if necessary.

The Company also believes that its income tax filing positions taken or expected to be taken in its tax returns will more likely than not be sustained upon audit by the taxing authorities, and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flows. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740, "Income Taxes".

Fair Value Accounting

Fair Value Accounting	9 Months Ended Sep. 30, 2011
Fair Value Accounting [Abstract]	
Fair Value Accounting	**Note 6. Fair Value Accounting**

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1-Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasuries and money market funds.

Level 2-Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt with quoted prices that are traded less frequently than exchange-traded instruments, mortgage-backed securities, municipal bonds, corporate debt securities, and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts.

Level 3-Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts and impaired loans.

The estimated fair values of the Company's financial instruments were as follows:

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and due from banks	$ 8,378,374	$ 8,378,374	$ 7,043,911	$ 7,043,911
Federal funds sold	12,120,000	12,120,000	5,110,000	5,110,000
Investment securities	27,026,768	27,026,768	24,655,686	24,655,686
Loans, gross	98,449,890	99,640,527	119,914,200	120,947,231
Cash surrender value of life insurance policies	1,958,462	1,958,462	1,908,112	1,908,112
Financial Liabilities				
Deposits	138,656,618	137,506,701	140,646,392	139,176,006
Customer sweep accounts	46,583	46,583	895,937	895,937
Customer repurchase agreements	1,700,000	1,759,399	2,050,000	2,137,395

Borrowings from FHLB	2,479,213	2,656,645	6,592,338	6,731,378
Broker repurchase agreements	5,000,000	5,187,792	5,000,000	5,212,655

The table below presents the balances of assets measured at fair value on a recurring or nonrecurring basis by level within the hierarchy of inputs that may be used to measure fair value.

	September 30, 2011			
	Total	Level 1	Level 2	Level 3
Investment securities, recurring	$ 27,026,768	$ 17,382,261	$ 8,708,157	$ 936,350
Other real estate owned, nonrecurring	$ 14,323,423	$ -	$ -	$ 14,323,423
Impaired loans, nonrecurring	$ 8,904,524	$ -	$ -	$ 8,904,524
	December 31, 2010			
Investment securities, recurring	$ 24,655,686	$ 15,369,729	$ 8,222,607	$ 1,063,350
Other real estate owned, nonrecurring	$ 10,278,599	$ -	$ -	$ 10,278,599
Impaired loans, nonrecurring	$ 10,639,189	$ -	$ -	$ 10,639,189

During the nine months ended September 30, 2011, there were no significant transfers of assets between categories.

The table below represents the activity in Level 3 assets that are measured at fair value on a recurring basis for the period January 1, 2011 to September 30, 2011.

	Other Investments
Beginning balance	$ 1,063,350
Total realized and unrealized gains or losses:	
Included in earnings	-
Included in other comprehensive income	-
Purchases	17,900
Sales (redemption by FHLB Atlanta)	(144,900)
Principal reductions	-
Transfers in and/or out of Level 3	-
Ending balance	$ 936,350

Earnings Per Share

Earnings Per Share	9 Months Ended Sep. 30, 2011
Earnings Per Share [Abstract]	
Earnings Per Share	**Note 7. Earnings per Share** ASC 260, "Earnings per Share," requires that the Company present basic and diluted net income (loss) per common share. The assumed conversion of stock options creates the difference between basic and diluted net income per share. Income per share is calculated by dividing net income by the weighted average number of common shares outstanding for each period presented. The weighted average number of common shares outstanding for basic and diluted net loss per common share for the three month period ended September 30, 2011 was 2,210,769 shares. Outstanding options were excluded from the loss per share calculation because they are anti-dilutive for the three-month periods ended September 30, 2011 and 2010. The weighted average number of common shares outstanding for basic and diluted net loss per common share for the nine month period ended September 30, 2011 was 2,210,769 shares. Outstanding options were excluded from the loss per share calculation because they are anti-dilutive for the nine-month periods ended September 30, 2011 and 2010. The calculations of earnings per share for the quarter and nine months ended September 30, 2010 include the effect of the 5% stock dividend declared on April 13, 2010 as if it had been declared on January 1, 2010.

Stock Based Compensation

Stock Based Compensation	9 Months Ended Sep. 30, 2011
Stock Based Compensation [Abstract]	
Stock Based Compensation	**Note 8. Stock Based Compensation** As described in Notes 1 and 18 to the financial statements in the Company's Annual Report on Form 10-K for the year ended December

	31, 2010, the Company has a stock-based employee and director compensation plan, which was approved by shareholders in 2003 (the "2003 Plan"). There have been no options granted in 2011 under the 2003 Plan. Refer to the notes to the financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 for further information. For the three and nine months ended September 30, 2011, the Company expensed $12,679 and $38,029, respectively, related to options granted in previous years. The expense is included in salaries and employee benefits in the accompanying consolidated statements of income.

Cumulative Perpetual Preferred Stock (8%)

Cumulative Perpetual Preferred Stock (8%)	9 Months Ended
	Sep. 30, 2011
Cumulative Perpetual Preferred Stock (8%) [Abstract]	
Cumulative Perpetual Preferred Stock (8%)	**Note 9. Cumulative Perpetual Preferred Stock (8%)** During the third quarter of 2010, the Company offered up to $2,500,000 of 8% Series A Cumulative Perpetual Preferred Stock ("the Preferred") to accredited investors and up to 35 non-accredited investors. The Preferred was offered by the Company's directors and executive officers, and no selling agents or underwriters were used. 1,038 shares of the Preferred were sold. Proceeds of the offering, net of offering expenses totaled $998,538. The Preferred is scheduled to pay a dividend quarterly. However, the Federal Reserve has declined to approve the dividends scheduled for payment to date. Dividends that have accumulated, but have not been declared or accrued since inception of the Preferred, total $95,693 as of September 30, 2011.