

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain of the officers, directors and shareholders of PAB and the Bank, and affiliates of such persons, have from time to time engaged in banking transactions with the Bank. We expect those persons to continue those transactions in the future. Any loans or other extensions of credit the Bank made to those individuals were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated third parties and did not involve more than the normal risk of collectability or present other unfavorable features. At December 31, 2008 and December 31, 2009, loans outstanding to our officers and directors named in this report and their affiliates amounted to an aggregate of \$37,948,775 and \$20,836,001, respectively.

In 2005, the Board of Directors of the Bank authorized the Bank to pledge \$500,000 to Valdosta State University in honor of Mr. James L. Dewar, Sr., the founder of the Bank and PAB, and Mrs. Dorothy H. Dewar. Mr. and Mrs. Dewar are the parents of James L. Dewar, Jr. Mr. Dewar was not present during the deliberation and vote authorizing the pledge. During 2008 and 2009, the Bank contributed \$25,000 each year towards satisfying the pledge. At December 31, 2009, a balance of \$125,000 remained on the pledge.

Thompson Kurrie, Jr., a director, is a partner in the law firm of Coleman Talley LLP., which provides various legal services to us. During 2009, we paid Coleman Talley LLP approximately \$271,000 in fees and expenses for legal services.

Walter W. Carroll, II, a director until he passed away on December 20, 2009, was the owner of Carroll Investment Group, LLC. In August 2009, we engaged Carroll Investment Group, LLC to serve as our outside real estate advisors for the management, marketing and disposition of our other real estate owned. Under the terms of our engagement, we will pay Carroll Investment Group an annual fee of \$100,000 and a bonus for certain properties sold during the engagement. The bonus will be equal to the greater of 1% of the sales price or any commissions that Carroll Investment Group is entitled to receive via its brokerage services, of which PAB will receive a refund of one-half of Carroll Investment Group's portion in excess of 1% of the sales price of that property. Our agreement with Carroll Investment Group has an initial term of one year and will automatically renew for 3-month successive periods until either we or Carroll Investment Group terminates the agreement.

On March 5, 2009, the Bank entered into a Receivables Origination Agreement and a Servicing Agreement with GreenSky Trade Credit, LLC. Under terms of the agreement, the Bank agreed to fund up to \$30,000,000 in eligible business credit card and other credit account receivables that conform with the Bank's credit criteria. GreenSky Trade Credit, LLC processes payments and advances and authorizes transactions under the Servicing Agreement and is paid a fee for those services.

We issued warrants for the purchase of 1,072,060 shares of our common stock at an exercise price of \$3.75 per share for a term of seven years in our two private placements completed in September 2009. Following the completion of our anticipated public offering, we intend to modify the warrants issued in the private placements to provide the warrant holders with an enhanced economic benefit for their earlier investment. We propose to offer to each warrant holder the opportunity to exchange the holder's existing warrant for a new warrant with: a reduced exercise price equal to 125% of the offering price of the shares of common stock sold in the public offering; an increased number of shares that may be purchased under the warrant; and a shortened term of five years. In evaluating this transaction, our Board of Directors engaged an outside firm to perform a valuation analysis. Certain of our related parties may participate in the warrant exchange for an economic benefit that may exceed \$120,000, though the exact amount of such benefit cannot be determined at this time. The warrants held by members of our Board of Directors and executive officers will not be modified and will remain under the terms of their initial issuance; however, relatives of certain of our members of our Board of Directors and executive officers may participate in the warrant exchange. Members of our Board of Directors who have relatives that may participate in the warrant exchange did not participate in the vote of the Board of Directors approving the warrant modification.

All related party transactions set forth above were subject to review by management and required approval by the Audit Committee or our disinterested directors. We believe that the terms for all of these related party transactions are at least as favorable as those that could be obtained from a third party. All future related party transactions will require approval by the Audit Committee for potential conflict of interest situations, as permitted under NASDAQ Listing Standards Rule 5630(a). The term "related party transaction" is generally defined as any transaction, since January 1, 2008, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest. A "related person" is any director, director nominee, or executive officer of PAB, any holder of more than 5% of the outstanding voting securities of PAB, or any immediate family member of the foregoing persons will have a direct or indirect interest. The term includes most financial transactions and arrangements, such as loans, guarantees and sales of property, and remuneration for services rendered (as an employee, consultant or otherwise) to PAB.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

THE FOLLOWING REPORT OF THE AUDIT COMMITTEE SHALL NOT BE DEEMED TO BE SOLICITING MATERIAL OR TO BE INCORPORATED BY REFERENCE IN ANY PREVIOUS OR FUTURE DOCUMENTS FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY EXPRESSLY INCORPORATES SAID REPORTS BY REFERENCE IN ANY SUCH DOCUMENT.

INDEPENDENT AUDITORS

Our Board of Directors, upon the recommendation of our Audit Committee, has appointed Mauldin & Jenkins as independent auditors for the fiscal year ending December 31, 2010. Mauldin & Jenkins audited the consolidated financial statements of the Company for the 2009 fiscal year. We have been advised that a representative of Mauldin & Jenkins will be present at the Annual Meeting, will be given an opportunity to speak, and will be available to answer appropriate questions.

Audit Fees

The aggregate fees billed and to be billed by Mauldin & Jenkins for professional services rendered for the audit of the Company's annual financial statements for fiscal year 2009, the review and attestation of management's assertions related to the Company's internal control over financial reporting and the reviews of the financial statements included in the Company's Forms 10-Q for such fiscal year were \$188,000. The aggregate fees billed by Mauldin & Jenkins for professional services rendered for the audit of the Company's annual financial statements for fiscal year 2008, the review and attestation of management's assertions related to the Company's internal controls over financial reporting and the reviews of the financial statements included in the Company's Forms 10-Q for such fiscal year were \$132,500.

Audit-Related Fees

The aggregate fees, other than those disclosed under the caption Audit Fees above, billed by Mauldin & Jenkins for assurance and related services reasonably related to the performance of the audit or review of the financial statements for fiscal year 2009 were \$3,000. There were no aggregate fees, other than those disclosed under the caption Audit Fees above, billed and to be billed by Mauldin & Jenkins for consultations regarding accounting standards, reporting issues and due diligence assistance services for fiscal year 2008.

Tax Fees

The aggregate fees billed and to be billed by Mauldin & Jenkins for professional services rendered for tax compliance, tax advice and tax planning were \$16,101 for fiscal year 2009 and \$20,980 for fiscal year 2008. Such fees were principally paid for tax compliance services performed by Mauldin & Jenkins.

All Other Fees

There were no fees billed by Mauldin & Jenkins for professional services rendered other than as stated under the captions Audit Fees, Audit-Related Fees and Tax Fees above for fiscal year 2009 and for fiscal year 2008.

The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms) to be performed for the Company by its independent auditors, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which should be approved by the Audit Committee. The Audit Committee approved 100% of the services performed by Mauldin & Jenkins in 2009.