



1131497

Annual Report of Bank Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under section 211.23 of Regulation K (12 CFR 211.23). The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Bank Holding Companies* must be signed by one director of the top-tier bank holding company. This individual should also be a senior official of the top-tier bank holding company. In the event that the top-tier bank holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

Date of Report (top-tier bank holding company's fiscal year-end):

December 31, 2011
Month / Day / Year

I, Nathaniel F. Hughes
Name and Title of the Bank Holding Company Director and Official

Reporter's Name, Street, and Mailing Address

Cornerstone Bancshares, Inc.
Legal Title of Bank Holding Company

6401 Lee Highway Suite 119
(Mailing Address of the Bank Holding Company) Street / P.O. Box

Chattanooga, TN 37421
City / State / Zip Code

835 Georgia Ave. Chattanooga, TN
Physical location (if different from mailing address)

attest that the *Annual Report of Bank Holding Companies* (including the supporting attachments) for this report date have been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

Person to whom questions about this report should be directed:

Gary Petty-CFO & SVP
Name / Title

423-385-3054
Area Code / Phone Number

423-385-3100
FAX Number

GPetty@cscbank.com
E-mail Address

cscbank.com
Address (URL) for the Bank Holding Company's web page

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 CFR Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Bank Holding Company Director and Official

NF Hughes
3-27-12

Date of Signature

For bank holding companies **not** registered with the SEC—

Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD Number _____

C.I. _____

Does the reporter request confidential treatment for any portion of this submission?

Yes Please identify the report items to which this request applies:

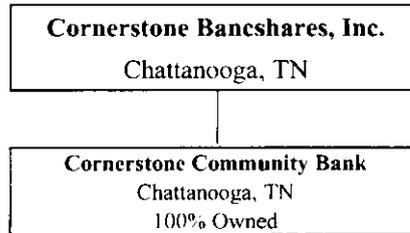
In accordance with the instructions on pages GEN-2 and 3 a letter justifying the request is being provided.

The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

No

Exhibit A

**Form FR Y-6 Report Item 2:
Cornerstone Bancshares, Inc.
Chattanooga, TN
Fiscal Year Ending December 31, 2011**



Report Item 2:

(1) Cornerstone Bancshares, Inc. owns and controls 100% of the voting stock of Cornerstone Community Bank.

Exhibit-C

Form FR Y-6
 Cornerstone Bancshares, Inc.
 Fiscal Year Ending December 31, 2011

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Co.	(3)(a) Title & Position with Bank Holding Co.	(3)(b) Title & Position with Subsidiary	(3)(c) Title & Position with Other Businesses	(4)(a) Percentage of Voting Shares in Bank Holding Co.	(4)(b) Percentage of Voting Shares in Subsidiary	(4)(c) List Names of Other Companies
✓ B. Kenneth Driver Chattanooga, TN-USA	Fillauer, Inc.	Director	Director	Vice Chairman & Co-Chief Executive Officer	1.65%*	N/A	Fillauer Companies, Inc.-8%
✓ Karl Fillauer Knoxville, TN-USA	Fillauer, Inc.	Director	Director	Chairman, Fillauer, Inc.	2.26%*	N/A	Fillauer Companies, Inc.-58% Paraclete, Inc.-80%
✓ Nathaniel F. Hughes Chattanooga, TN-USA	Banker	President & Interim Chief Executive Officer & Director	President & Interim Chief Executive Officer & Director	N/A	2.14%*	N/A	N/A
✓ Lawrence D. Levine Chattanooga, TN-USA	Retired	Director	Director	N/A	*	N/A	N/A
✓ Frank S. McDonald Chattanooga, TN-USA	Architect	Director	Director	President Partner	*	N/A	Frank McDonald Architects, PLLC-100% Tivoli Center Partners-33.3%
✓ Doyce G. Payne, M.D. Chattanooga, TN-USA	Retired	Director	Director	N/A	2.65%*	N/A	N/A
✓ Wesley M. Welborn Chattanooga, TN-USA	Welborn & Associates, Inc.	Director-Chairman of the Board of Directors	Director-Chairman of the Board of Directors	President Member Member Member Member Member Member Member	*	N/A	Welborn & Associates, Inc.-100% Welborn Properties, LLC-50% Transport Capital Partners-16% Jefferson Press, LLC-33% BRD, LLC-20% Southeast Logistics, LLC-33% Magwel Properties-33% Access America Transport-5% CFD, LLC-50% Lamp Post Properties, LLC-20%
✓ Billy O. Wiggins Chattanooga, TN-USA	Checks, Inc.	Director	Director	President Member	2.45%*	N/A	Checks, Inc.-100% Brown-Wiggins Real Estate-50% Wiggins Farms-12.5%
✓ Marsha Yessick Chattanooga, TN-USA	Yessick's Design Center	Director	Director	Owner of Yessick's Design Center	1.66%*	N/A	Yessick's-100% Yessick's Design-100%
✓ David Fussell Chattanooga, TN-USA	Retired	Director	Director	N/A	*	N/A	N/A
✓ Robert B. Watson Chattanooga, TN-USA	Banker	N/A N/A	Executive Vice President Senior Loan Administrator	N/A	*	N/A	N/A
✓ Gary W. Petty, Jr. Chattanooga, TN-USA	Banker	Senior Vice President & Chief Financial Officer	Senior Vice President & Chief Financial Officer	N/A	*	N/A	N/A
✓ Anthony Ray Chattanooga, TN-USA	Banker		Senior Vice President & Chief Risk Officer	N/A	*	N/A	N/A

* Signifies less than one percent

Results: A list of branches for your depository institution: CORNERS ONE COMMUNITY BANK (ID: RSSD: 2398596). This depository institution is held by CORNERSTONE BANCSHARES, INC. (111314877) of CHATTANOOGA, TN. The data are as of 12/31/2011. Data reflects information that was received and processed through 01/09/2012.

Reconciliation and Verification Steps

1. In the Data Action column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the Effective Date column.

Actions

OK: If the branch information is correct, enter 'OK' in the Data Action column.
 Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.
 Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.
 Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
 Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information. If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the email.

Note:

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add. The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://yt10online.federalreserve.gov>.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service (Head Office)	Branch ID	RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID	RSSD	Comments
OK		Full Service	2398596	CORNERS ONE COMMUNITY BANK	835 GEORGIA AVENUE	CHATTANOOGA	TN	37402	HAMILTON	UNITED STATES		32812	0	CORNERS ONE COMMUNITY BANK		2398596	
OK		Full Service	3743489	GUNBARREL BRANCH	2780 GUNBARREL ROAD	CHATTANOOGA	TN	37421	HAMILTON	UNITED STATES		238651	3	CORNERS ONE COMMUNITY BANK		2398596	
OK		Full Service	7771133	EAST RIDGE BRANCH	4154 RINGGOLD ROAD	EAST RIDGE	TN	37412	HAMILTON	UNITED STATES		238652	6	CORNERS ONE COMMUNITY BANK		2398596	
OK		Full Service	3746583	HIXSON BRANCH	8319 HIGHWAY	DOLEWICH	TN	37343	HAMILTON	UNITED STATES		430783	3	CORNERS ONE COMMUNITY BANK		2398596	
OK		Full Service	3278988	DOLEWICH BRANCH	6966 OLD LEE HIGHWAY	DOLEWICH	TN	37383	HAMILTON	UNITED STATES		430783	7	CORNERS ONE COMMUNITY BANK		2398596	

REGULATION O REPORT OF DIRECTOR DEBT AT CORNERSTONE COMMUNITY BANK

as of December 31, 2011

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Name	Type	Relationship	Date of Loan	Interest Rate (V) Variable (F) Fixed	Account Number	Orig. Bal. or Line Amt.	Current Balance	(If a line of credit) Available Balance	Maturity Date	
Gary Petty, SVP, CFO										
<i>Personal</i>	NONE									
<i>Related Interest</i>	NONE									
Anthony Ray, SVP, CRO										
<i>Personal</i>	NONE									
<i>Related Interest</i>	NONE									
Barry Watson, EVP, SLA										
<i>Personal</i>	Credit Card	Direct	07/16/07	P+5 (V)	330009421	500.00	473.56	26.44	02/28/13	6A0
<i>Related Interest</i>	Credit Card	Direct	02/26/09	P+5 (V)	330005502	500.00	79.87	420.13	02/28/13	6A0
	NONE									
W. Miller Welborn, Director, Chairman of the Board										
<i>Personal</i>	NONE									
<i>Related Interest</i>	NONE									
Welborn & Associates, Inc. (100%)	NONE									
Welborn Properties, LLC (50%)	NONE									
Transport Capital Partners, LLC (20%)	NONE									
Southeast Logistics, LLC (50%)	NONE									
Access America Transport (5%)	NONE									
CFD, LLC (50%)	NONE									
Lamp Post Properties, LLC (25%)	P & I	Not Obligated	12/29/11	(F) Fixed	40010891	1,477,802.12	1,477,802.12	0.00	01/05/17	1E1
Billy Wiggins, Director, Chairman of DLC Committee										
<i>Personal</i>	OD Protection	Direct	12/23/02	P+6(V)	30002305	5,000.00	0.00	5,000.00		6A0
<i>Related Interest</i>	NONE									
Checks, Inc. (100%)	NONE									
Brown-Wiggins Real Estate (50%)	NONE									
Wiggins Farms (12.5%)	NONE									
Marsha Yessick, Director, Chairperson of Human Resources Committee										
<i>Personal</i>	OD Protection	Direct	02/25/04	P+6(V)	30001873	5,000.00	0.00	5,000.00	02/23/13	6A0
<i>Related Interest</i>	NONE									
Yessica's (100%)	NONE									
Yessick's Design (100%)	NONE									
TOTALS						<u>1,514,907.76</u>	<u>46,096.89</u>			