

March 6, 2009

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

Dear Mr. Barofsky,

This letter is in response to your correspondence dated February 6, 2009 concerning an audit of TARP recipients' use of funds and compliance with EESA's executive compensation requirements. We received \$12,643,000 of Capital Purchase Program funds under the TARP program on December 19, 2008 which were not segregated but incorporated into the normal course of our business to better and more efficiently utilize these funds to accomplish our primary objective of making loans to businesses and individuals in our market areas.

As indicated in our approved application for the TARP funds, we invested \$10,643,000 in the equity capital of our subsidiary depository institution, Community Bank, which enabled Community Bank to exceed the requirements for being "well capitalized" and enabled us to lend in our market areas. Also as indicated in our application for the TARP funds, we used the remaining \$2,000,000 of TARP funds to partially repay a loan made to Community Financial Corporation by another financial institution.

In December, 2008, the month in which we received the TARP funds, our net loans outstanding increased by \$3.6 million. Net loans outstanding increased by \$2.0 million in January, 2009 and by \$1.5 million in February, 2009, for a total of \$7.1 million. Please note that this was the net increase in our loans outstanding and thus included renewals and loans repaid. At the monthly Board of Directors meetings in January and February, 2009, a total of \$36.8 million of loans were approved, with \$15.7 million for new loans or increases to existing loans. We anticipate the majority of these loans will be funded within the next 90 days. We intend to continue to serve our customers by funding additional loans in the future.

All executive compensation and benefits plans at the time TARP funds were received were in compliance with the agreements and certifications we signed. There have not been any changes to executive compensation or benefit plans since the receipt of TARP funds. [REDACTED] our compensation programs do not encourage the taking of undue risk in our loan portfolio or otherwise. [REDACTED]

We are a relatively small institution

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and the newly enacted limitations on executive compensation will not have any meaningful impact on us. We expect to fully comply with these limitations and do not expect to make any material changes to our compensation plans.

I, Douglas Richard, certify that I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Please contact me if you require additional information.

Sincerely,

P. Douglas Richard
CEO