

March 6, 2009

Special Inspector General – TARP  
1500 Pennsylvania Avenue, N.W.  
Suite 1064  
Washington, D.C. 20220

Dear Special Inspector General:

We received your letter of February 6, 2009, requesting information pertaining to Central Virginia Bankshares, Incorporated's use of funds and compliance with The Emergency Economic Stabilization Act of 2008. It should be noted the TARP funds were received on January 30, 2009. The original questions, as stated in your request, are listed in bold below along with our response.

**(1) A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of TARP funds. In your response, please take into consideration your anticipated use of unspent TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.**

**(a) Our anticipated use of TARP funds:** Our intention is to utilize the additional capital to leverage deposit growth; these new deposits will be utilized for lending in proportion to the growth in deposits, while remaining consistent with our current loan to deposit ratio.

**(b) Were TARP funds segregated from other institutional funds:** Tarp funds are segregated within the demand deposit account of Central Virginia Bankshares, Inc.

**(c) Our actual use of TARP funds to date:** The funds are being sold in the overnight fed funds market.

**(d) Our expected use of unspent TARP funds:** These may be utilized to reduce borrowings and or debt, as working capital of the corporation and for general corporate purposes, and may be invested in U.S. Government and Agency or other investment grade securities.

Special Inspector General – TARP  
Washington, D.C. 20220  
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**(2) Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.**

We have designated the Vice President and head of Human Resources as the Company's Senior Risk Officer. She, along with the Compensation Committee of the Board of Directors, in consultation with one another, are reviewing our compensation process to determine whether or not our process could provide incentives to any of our SEO's take excessive or unnecessary risks that could threaten the value of the Company. This review is not yet complete. If however, upon completion, the Senior Risk Officer and the Compensation Committee determine that changes to our process are warranted, the Company may, unilaterally, implement such changes without the consent of any senior executive officer.

In connection with the consummation of our sale of preferred stock to the Department of Treasury, our four senior executive officers signed letter agreements that address compensation issues. Copies of those letters are attached. Our belief is that those letter agreements have implemented the executive compensation limitations in line with Department of Treasury guidelines.

We do not understand that any updates to this letter are required, but, of course, we will provide additional information if you request.

I certify the foregoing is true and accurate to the best of my knowledge and belief, pursuant to 18 USC 1001.

Sincerely,

Charles F. Catlett, III  
Senior Vice President and Chief Financial Officer  
Central Virginia Bankshares, Inc.

Attachments

## Consent Letter

Mr. Charles F. Catlett, III  
Senior Vice President and Chief Financial Officer  
Central Virginia Bankshares, Inc.  
2036 New Dorset Road  
P. O. Box 39  
Powhatan, Virginia 23139

Dear Mr. Catlett:

Central Virginia Bankshares, Inc. (the "*Company*") anticipates entering into a Securities Purchase Agreement (the "*Securities Purchase Agreement*"), with the United States Department of Treasury ("*Treasury*") that provides for the Company's participation in the Treasury's TARP Capital Purchase Program (the "*CPP*"). If the Company does not participate or ceases at any time to participate in the CPP, this letter shall be of no further force and effect.

For the Company to participate in the CPP and as a condition to the closing of the investment contemplated by the Securities Purchase Agreement, the Company is required to establish specified standards for incentive compensation to its senior executive officers and to make changes to its compensation agreements. The Company intends to apply these standards to its senior executive officers. To comply with these requirements, and in consideration of the benefits that you will receive as a result of the Company's participation in the CPP, you agree as follows:

- (1) *No Golden Parachute Payments.* The Company is prohibiting any golden parachute payment to you during any "CPP Covered Period." A "*CPP Covered Period*" is any period during which (A) you are a senior executive officer and (B) Treasury holds an equity or debt position acquired from the Company in the CPP.
- (2) *Recovery of Bonus and Incentive Compensation.* Any bonus and incentive compensation paid to you during a CPP Covered Period is subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
- (3) *Compensation Program Amendments.* Each of the Company's compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, "*Benefit Plans*") with respect to you is hereby amended to the extent necessary to give effect to provisions (1) and (2) and you agree to execute any such amendments as maybe necessary to implement the agreements contained in this letter.
- (4) *Benefit Plan Review.* In addition, the Company is required to review its Benefit Plans to ensure that they do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company. To the

extent any such review requires revisions to any Benefit Plan with respect to you, you agree that the Company may implement unilaterally such changes to the Benefits Plans that the Company determines are necessary consistent with its review of the Benefit Plans.

(5) *Definitions and Interpretation.* This letter shall be interpreted as follows:

- "Senior executive officer" means the Company's "senior executive officers" as defined in subsection 111(b)(3) of EESA Treasury Regulation, Title 31 CFR Part 30.9.
- "Golden parachute payment" is used with the same meaning as in Section 111(b)(2)(C) of EESA.
- "EESA" means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation issued by the Department of the Treasury and as published in the Federal Register on October 20, 2008.
- The term "Company" includes any entities treated as a single employer with the Company under 31 C.F.R. § 30.1(b) (as in effect on the Closing Date). You are also delivering a waiver pursuant to the Securities Purchase Agreement, and, as between the Company and you, the term "employer" in that waiver will be deemed to mean the Company as used in this letter.
- The term "CPP Covered Period" shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. § 30.11 (as in effect on the Closing Date).
- Provisions (1), (2), and (4) of this letter are intended to, and will be interpreted, administered and construed to, comply with Section 111 of EESA (and, to the maximum extent consistent with the preceding, to permit operation of the Benefit Plans in accordance with their terms before giving effect to this letter).
- Miscellaneous. To the extent not subject to federal law, this letter will be governed by and construed in accordance with the laws of the Commonwealth of Virginia. This letter may be executed in two or more counterparts, each of which will be deemed to be an original. A signature transmitted by facsimile will be deemed an original signature.

We appreciate the concessions you are making and look forward to your continued leadership during these financially turbulent times.

[Signatures on next page]

Yours sincerely,

CENTRAL VIRGINIA BANKSHARES, INC.

By: /s/ Ralph Larry Lyons  
Ralph Larry Lyons  
President and Chief Executive Officer

Intending to be legally bound,  
I agree with and accept the foregoing  
terms on the date set forth below.

/s/ Charles F. Catlett, III  
Charles F. Catlett, III

Date: January 30, 2009

cc: Mr. Charles F. Catlett, III via Hand Delivery

## Consent Letter

Mr. F. William Kidd  
Senior Vice President  
Central Virginia Bankshares, Inc.  
2036 New Dorset Road  
P. O. Box 39  
Powhatan, Virginia 23139

Dear Mr. Kidd:

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We appreciate the concessions you are making and look forward to your continued leadership during these financially turbulent times.

[Signatures on next page]

Yours sincerely,

CENTRAL VIRGINIA BANKSHARES, INC.

By: /s/ Ralph Larry Lyons  
Ralph Larry Lyons  
President and Chief Executive Officer

Intending to be legally bound,  
I agree with and accept the foregoing  
terms on the date set forth below.

/s/ F. William Kidd  
F. William Kidd

Date: January 30, 2009

cc: Mr. F. William Kidd via Hand Delivery

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Senior Vice President  
Central Virginia Bankshares, Inc.  
2036 New Dorset Road  
P. O. Box 39  
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Yours sincerely,

CENTRAL VIRGINIA BANKSHARES, INC.

By: /s/ Ralph Larry Lyons  
Ralph Larry Lyons  
President and Chief Executive Officer

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/s/ F. William Kidd  
F. William Kidd

Date: January 30, 2009

cc: Mr. F. William Kidd via Hand Delivery

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Mr. Ralph Larry Lyons  
President and Chief Executive Officer  
Central Virginia Bankshares, Inc.  
2036 New Dorset Road  
P. O. Box 39  
Powhatan, Virginia 23139

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[Signatures on next page]

Yours sincerely,

CENTRAL VIRGINIA BANKSHARES, INC.

By: /s/ Charles F. Catlett, III  
Charles F. Catlett, III  
Senior Vice President and  
Chief Financial Officer

Intending to be legally bound,  
I agree with and accept the foregoing  
terms on the date set forth below.

/s/ Ralph Larry Lyons  
Ralph Larry Lyons

Date: January 30, 2009

cc: Mr. Ralph Larry Lyons via Hand Delivery

## Consent Letter

Ms. Leslie S. Cundiff  
Senior Vice President and Senior Lending Officer  
Central Virginia Bankshares, Inc.  
2036 New Dorset Road  
P. O. Box 39  
Powhatan, Virginia 23139

Dear Ms. Cundiff:

Central Virginia Bankshares, Inc. (the "*Company*") anticipates entering into a Securities Purchase Agreement (the "*Securities Purchase Agreement*"), with the United States Department of Treasury ("*Treasury*") that provides for the Company's participation in the Treasury's TARP Capital Purchase Program (the "*CPP*"). If the Company does not participate or ceases at any time to participate in the CPP, this letter shall be of no further force and effect.

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Yours sincerely,

CENTRAL VIRGINIA BANKSHARES, INC.

By: /s/ Ralph Larry Lyons  
Ralph Larry Lyons  
President and Chief Executive Officer

Intending to be legally bound,  
I agree with and accept the foregoing  
terms on the date set forth below.

/s/ Leslie S. Cundiff  
Leslie S. Cundiff

Date: January 30, 2009

cc: Ms. Leslie S. Cundiff via Hand Delivery