MAINSTREET
BANK

February 10, 2009

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

Dear Mr. Barofsky:

At your request I am providing a response to your correspondence of February 6, 2009.

With respect to your request for additional information regarding our use of the Tarp Funds we received via the United States Treasury's purchase of preferred stock in our bank holding company, Calvert Financial Corporation and consistent with my conversations by phone with representatives of the Treasury I would offer the following;

ANTICIPATED USE OF TARP FUNDS

Our anticipated use of the TARP funds will most likely fall into one (or some combination thereof) of three likely broad categories of utilization. Given the status of the national, regional and local economy a single definitive and specific use has not been identified with certainty. In addition, the terms of the Letter Agreement and preferred stock purchase did not require us to specifically enumerate the uses or specify specific activities.

In our most optimistic scenario, whereby our bank's capital position is not impaired or adversely impacted by a continued deterioration in the credit markets and some semblance of normalcy returns to the consumer and business sectors in our market areas, the funds will afford us the opportunity to grow loan demand by [redacted]

Our middle scenario entails a modest continuation of exiting declining credit trends with increases in delinquencies, defaults and ultimately other real estate owned or repossessed assets. In this environment proceeds will be directed towards absorbing some portion of the probable losses through the holding company while retaining a capital cushion which remains available and can be injected into the bank to maintain a well capitalized rating.

In our worst case scenario, the declining credit trends both accelerate in quantity as well as magnitude. Losses result requiring replenishment or increases in allowances for loan and lease losses which in turn compromise earnings. Impaired earnings negatively impact capital and require additional capital injections in order to maintain core capital levels which are acceptable to safe and sound banking operations. In this instance, the proceeds can (and must) be injected into the bank to insure it's future viability and increase the likelihood that the economy will turn around, credit quality improves, earnings resume and normal allocations can be made in the ordinary course of prudent banking.

EXECUTIVE COMPENSATION REQURIEMENTS

We have evaluated our compensation structure both at the bank holding company level as well at the bank and done so across all levels and disciplines. We do not currently have any golden parachutes, bonus programs or base or deferred compensation plans which will be in conflict with the Treasury Department's guidelines on executive compensation.

We have not identified any loan risks which will result from compliance with the Treasury Department's guidelines on executive compensation.

We are a small central Missouri community bank and while I would like to be able to provide you with very specific and quantitative responses we are currently operating under the assumption that the worst scenario could occur and the TARP proceeds will provide vitally needed infusions to a bleeding patient. However, it is our hope that over the course of the next several months, the powder will remain dry and things will return to something resembling a historical norm with respect to both credit quality and loan demand. At this time we will have the capital in place to fund good loan opportunities as they present themselves. Please bear the fact in mind that we have not ceased to make loans, loan opportunities are few and far between as businesses are conserving cash and not taking risks or expanding. Consumers, fearing that the rising unemployment rate will put them on the streets, are not purchasing cars or buying homes. This is not an instance of a bank's unwillingness to lend but rather borrower's unwillingness to borrow.

I apologize that I am not able to provide more concrete and specific uses of the funds as we only closed our preferred stock sale January 23, 2009. We view the economy to continue to hold numerous uncertainties and we felt that a 5% dividend was a reasonable price to pay for the flexibility and options it affords us in these challenging times.

Should any information require elaboration, or if I can be of further assistance, please feel free to contact me at (573) 657-0606 at your convenience.

We are grateful for the opportunity to participate in the program and sincerely hope that is the former and not the later scenario which drives our allocation decisions in the immediate future.

Furthermore, I hereby certify the accuracy of the statements, representations and supporting information in accordance with Title 18, United States Code, Section 1001.

Sincerely,

Darryl L. Woods
President
Calvert Financial Corporation,
Chairman, C.E.O. & Controlling Shareholder
Mainstreet Bank