Monument Bank

H.L. WARD
PRESIDENT
CHIEF EXECUTIVE OFFICER

DIRECT
FAX (b) (6) [redacted]

(b) (6) [redacted]

March 6, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
1500 Pennsylvania Ave., N.W.
Suite 1064
Washington, DC 20220

RE: Response to Letter of February 6, 2009 Regarding Monument Bank, Bethesda, MD: Capital Purchase Plan, UST Sequence Number 600, Closing Date January 30, 2009.

Dear Mr. Barofsky:

Before addressing the issues outlined in the above letter, I believe it is important to review the brief history of Monument Bank (the "Bank") so that our comments may be taken in proper context.

The Bank opened for business in late 2005. As a commercial community bank, our focus is to provide lending and deposit services to the business and real estate communities and to a lesser extent to consumers and high net worth individuals. We completed our third full fiscal year in December of 2008 and experienced healthy growth and profitability. We ended the year with total assets of $182 million and loans of $148 million. Although these numbers are small compared to most Banks, we feel that we have played an important role in our local economy by keeping credit available to credit-worthy borrowers.

The Bank has no "toxic" assets in its securities portfolio; it consists exclusively of agency securities. Our loan portfolio is of the highest quality. In fact, as of 12/31/08, we showed only one loan in excess of 60 days delinquent, none in excess of 30 days and only five in excess of 15 days. These are important statistics to share to illustrate that the Bank does not need nor does it anticipate needing TARP funds to provide for asset quality issues or losses.

Use of TARP Funds

(b) (4) [redacted]

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[redacted]

In summary, we believe that the Bank's participation in the CPP and the intended use of the additional capital are entirely consistent with the stated purpose of the CPP, that is "to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and support the U.S. economy."

<u>Executive Compensation Requirements</u>

Compensation issues are among the least difficult matters to address. The Chief Executive Officer's annual salary is currently set at $250,000. The average of the five highest paid officers is less than $200,000 annually. These officers' salaries are not subject to Board review until December 31, 2009.

[redacted] All

compensation decisions have been made completely independent of any considerations related to participation in the CPP.

In no circumstances while TARP funds are outstanding at the Bank will executive compensation, as defined by the Treasury, exceed the limits imposed. In order to monitor and report these matters to the Board, a special committee will be formed which will consist of the Chairman of the Board, the Vice Chairman and the Compensation and Benefits Committee Chairman. As needed, the CEO and the CFO will participate but will not have voting rights. This committee will specifically monitor overall executive compensation as it relates to Treasury limits, it will assess lending risks and any relationship to executive compensation and it will assure that limitations are not offset by changes to other forms of executive compensation.

<u>Other Matters</u>

Since the Bank has just completed participation in the CPP, we will begin a process to segregate and preserve any pertinent documentation. [redacted]

We respectfully hope that this letter effectively addresses the critical components of the CPP and TARP and the Treasury's responsibilities to insure transparency and accountability. Although our participation on a relative basis is barely measurable, it is meaningful to our community and our local economy especially when considered in the context of the overall network of true community banks which have participated.

The Bank requests that the contents of this letter be kept confidential. The letter discusses internal business plans and the substance of the Bank Board's deliberations concerning participation in the CPP. The Bank is concerned that other institutions in its market could use this information to the competitive disadvantage of the Bank. The Bank believes that the information in this letter is exempt from disclosure under the Freedom of Information Act by virtue of 5 U.S.C. 552 (b)(4),(6),(8).

The undersigned certifies to the best of his knowledge and belief all statements, representations and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Sincerely,