

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

COMMUNITY FIRST BANCORP  
Form 10-Q  
May 14, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended March 31, 2010

Commission File No. 000-29640

COMMUNITY FIRST BANCORPORATION

-----  
(Exact name of registrant as specified in its charter)

South Carolina  
-----  
(State or other jurisdiction of  
incorporation or organization)

58-2322486  
-----  
(IRS Employer Identification No.)

449 HIGHWAY 123 BYPASS  
SENECA, SOUTH CAROLINA 29678

-----  
(Address of principal executive offices, zip code)

(864) 886-0206

-----  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No  (Not yet applicable to Registrant)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.  
(Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, no par or stated value, 3,784,159 Shares Outstanding on April 1, 2010.

COMMUNITY FIRST BANCORPORATION

FORM 10-Q

Index

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets .....

Consolidated Statements of Income .....

Consolidated Statements of Changes in Shareholders' Equity .....

Consolidated Statements of Cash Flows .....

Notes to Unaudited Consolidated Financial Statements .....

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Item 4T. Controls and Procedures .....

PART II - OTHER INFORMATION

Item 6. Exhibits .....

SIGNATURE .....

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements

COMMUNITY FIRST BANCORPORATION  
Consolidated Balance Sheets

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

Assets

|   |  |
|---|--|
| Cash and due from banks .....   |  |
| Interest bearing deposits due from banks .....  |  |
| Cash and cash equivalents .....   |  |
| Securities available-for-sale .....   |  |
| Securities held-to-maturity (fair value \$8,877 for 2010<br>and \$9,476 for 2009) ..... |  |
| Other investments .....   |  |
| Loans .....   |  |
| Allowance for loan losses .....   |  |
| Loans - net .....   |  |
| Premises and equipment - net .....  |  |
| Accrued interest receivable .....   |  |
| Foreclosed assets .....   |  |
| Bank-owned life insurance .....   |  |
| Other assets .....  |  |
| Total assets .....  |  |

Liabilities

|                                |  |
|--------------------------------|--|
| Deposits                       |  |
| Noninterest bearing .....      |  |
| Interest bearing .....         |  |
| Total deposits .....           |  |
| Accrued interest payable ..... |  |
| Long-term debt .....           |  |
| Other liabilities .....        |  |
| Total liabilities .....        |  |

Shareholders' equity

|  |  |
|--|--|
| Preferred stock - Series A - non-voting 5% cumulative - \$1,000 per share<br>liquidation preference; 5,000 shares authorized;<br>issued and outstanding - 3,150 shares ..... |  |
| Preferred stock - no par value; 9,995,000 shares authorized;<br>None issued and outstanding .....  |  |
| Common stock - no par value; 10,000,000 shares authorized;<br>issued and outstanding - 3,784,159 for 2010 and<br>3,782,415 for 2009 .....                                    |  |
| Additional paid-in capital .....   |  |
| Retained earnings .....  |  |
| Accumulated other comprehensive income .....   |  |
| Total shareholders' equity .....   |  |
| Total liabilities and shareholders' equity .....   |  |

See accompanying notes to unaudited consolidated financial statements.

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

Interest income

Loans, including fees .....  
 Interest bearing deposits due from banks .....  
 Securities  
     Taxable .....  
     Tax-exempt .....  
 Other investments .....  
 Federal funds sold .....

        Total interest income .....

Interest expense

Time deposits \$100M and over .....  
 Other deposits .....  
 Long-term debt .....

        Total interest expense .....

Net interest income .....  
 Provision for loan losses .....

Net interest income after provision .....

Other income

Service charges on deposit accounts .....  
 Debit card transaction fees .....  
 Credit life insurance commissions .....  
 Increase in value of bank-owned life insurance .....  
 Other income .....

        Total other income .....

Other expenses

Salaries and employee benefits .....  
 Net occupancy expense .....  
 Furniture and equipment expense .....  
 Amortization of computer software .....  
 FDIC insurance expense .....  
 Debit card transaction expenses .....  
 Other expense .....

        Total other expenses .....

Income before income taxes .....  
 Income tax expense .....

Net income .....

Deductions for amounts not available to common shareholders:

    Dividends declared or accumulated on preferred stock .....

Net income available to common shareholders .....

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

Per common share\*

Net income .....  
 Net income, assuming dilution .....

-----

\* Per share information has been retroactively adjusted to reflect a 5% stock dividend effective December 15, 2009. See accompanying notes to unaudited consolidated financial statements.

4

COMMUNITY FIRST BANCORPORATION  
 Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

|   | Shares of<br>Common<br>Stock<br>----- | Preferred<br>Stock<br>----- | Common<br>Stock<br>----- | Additional<br>Paid-in<br>Capital<br>----- |
|---|---------------------------------------|-----------------------------|--------------------------|---|
|   | (Dollars in thousands)                |                             |                          |   |
| Balance, January 1, 2009 .....  | 3,564,279                             | \$ -                        | \$ 37,084                | \$ 748                                    |
| Comprehensive income:   |                                       |                             |                          |   |
| Net income .....  | -                                     | -                           | -                        | -   |
| Unrealized holding gains and losses<br>on available-for-sale securities<br>arising during the period, net of<br>income taxes of \$23 .....  | -                                     | -                           | -                        | -   |
| Total other comprehensive income  |                                       |                             |                          |   |
| Total comprehensive income ...  |                                       |                             |                          |   |
| Exercise of employee stock options ....   | 45,532                                | -                           | 486                      | -   |
| Balance, March 31, 2009 .....   | 3,609,811<br>=====                    | \$ -<br>=====               | \$ 37,570<br>=====       | \$ 748<br>=====                           |
| Balance, January 1, 2010 .....  | 3,782,415                             | \$ 3,126                    | \$ 38,923                | \$ 748                                    |
| Comprehensive income:   |                                       |                             |                          |   |
| Net income .....  | -                                     | -                           | -                        | -   |
| Unrealized holding gains and losses<br>on available-for-sale securities<br>arising during the period, net of<br>income taxes of \$487 ..... | -                                     | -                           | -                        | -   |
| Total other comprehensive income  |                                       |                             |                          |   |
| Total comprehensive income ...  |                                       |                             |                          |   |

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

|   |           |          |           |        |
|---|-----------|----------|-----------|--------|
| Dividends paid on preferred stock ..... | -         | -        | -         | -      |
| Exercise of employee stock options .... | 1,744     | -        | 17        | -      |
|   | -----     | -----    | -----     | -----  |
| Balance, March 31, 2010 .....           | 3,784,159 | \$ 3,126 | \$ 38,940 | \$ 748 |
|   | =====     | =====    | =====     | =====  |

See accompanying notes to unaudited consolidated financial statements.

5

COMMUNITY FIRST BANCORPORATION  
Consolidated Statements of Cash Flows

Operating activities

|  |       |
|--|-------|
| Net income .....   | ..... |
| Adjustments to reconcile net income to net cash provided by operating activities |       |
| Provision for loan losses .....  | ..... |
| Depreciation .....   | ..... |
| Amortization of net loan fees and costs .....                                    | ..... |
| Securities accretion and premium amortization .....                              | ..... |
| Gain on sale of foreclosed assets .....  | ..... |
| Increase in cash surrender value of bank-owned life insurance .....              | ..... |
| (Increase) decrease in interest receivable .....                                 | ..... |
| Increase in interest payable .....   | ..... |
| Decrease in prepaid expenses and other assets .....                              | ..... |
| Increase in other accrued expenses .....   | ..... |
| Net cash provided by operating activities .....                                  | ..... |

Investing activities

|   |       |
|---|-------|
| Purchases of available-for-sale securities .....                      | ..... |
| Maturities, calls and paydowns of securities available-for-sale ..... | ..... |

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

|   |  |
|---|--|
| Maturities, calls and paydowns of securities held-to-maturity .....                               |  |
| Proceeds of sales of available-for-sale securities .....  |  |
| Purchases of other investments .....  |  |
| Disposals of other investments .....  |  |
| Net increase in loans made to customers .....   |  |
| Purchases of premises and equipment .....   |  |
| Additional investment in foreclosed assets .....  |  |
| Proceeds of sale of foreclosed assets .....   |  |
| Net cash used by investing activities .....   |  |
| Financing activities  |  |
| Net increase in demand deposits, interest bearing transaction accounts and savings accounts ..... |  |
| Net increase in certificates of deposit and other time deposits .....                             |  |
| Cash paid in lieu of issuing fractional common shares .....                                       |  |
| Cash dividends paid on preferred stock .....  |  |
| Exercise of employee stock options .....  |  |
| Net cash provided by financing activities .....   |  |
| Increase (decrease) in cash and cash equivalents .....  |  |
| Cash and cash equivalents, beginning .....  |  |
| Cash and cash equivalents, ending .....   |  |

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION  
Consolidated Statements of Cash Flows - continued

|  | (Unaudited)            |          |
|--|------------------------|----------|
|  | Three Months Ended     |          |
|  | March 31,              |          |
|  | 2010                   | 2009     |
|  | ----                   | ----     |
|  | (Dollars in thousands) |          |
| Supplemental Disclosure of Cash Flow Information   |                        |          |
| Cash paid during the period for                    |                        |          |
| Interest .....                                     | \$ 1,675               | \$ 2,131 |
| Income taxes .....                                 | -                      | -        |
| Net transfers from loans to foreclosed assets .... | 255                    | 187      |
| Noncash investing and financing activities:        |                        |          |
| Other comprehensive income (loss) .....            | 871                    | (40)     |

COMMUNITY FIRST BANCORPORATION

Notes to Unaudited Consolidated Financial Statements  
(Dollar amounts in thousands, except per share)

Accounting Policies - A summary of significant accounting policies is included in Community First Bancorporation's (the "Company," "our," "we," "us," and similar references) Annual Report on Form 10-K for the year ended December 31,





Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

|   | March 31, 2010 |                   |        |
|---|----------------|-------------------|--------|
|   | Due within one | Due after one     | Due af |
| Available-for-sale at fair value                    | year           | through five      | thro   |
|   | -----          | years             | y      |
|   |                | -----             | -----  |
|   |                | (Dollars in thous |        |
| Non-mortgage-backed securities issued by GSEs ..... | \$ 1,508       | \$ 26,092         | \$ 3   |
| State, county and municipal issuers .....           | 301            | 1,230             | ---    |
|   | -----          | -----             | ---    |
|   | 1,809          | 27,322            | 3      |
| Mortgage-backed securities issued by:               |                |                   |        |
| US Government agencies .....                        |                |                   |        |
| GSEs .....  |                |                   |        |
| Total available-for-sale .....                      |                |                   |        |
| Held-to-maturity at amortized cost                  |                |                   |        |
| Mortgage-backed securities issued by:               |                |                   |        |
| GSEs .....  |                |                   |        |
| Total held-to-maturity .....                        |                |                   |        |

|   | December 31, 200 |                   |        |
|---|------------------|-------------------|--------|
|   | Due within one   | Due after one     | Due af |
| Available-for-sale at fair value                    | year             | through five      | thro   |
|   | -----            | years             | y      |
|   |                  | -----             | -----  |
|   |                  | (Dollars in thous |        |
| Non-mortgage-backed securities issued by GSEs ..... | \$ 1,520         | \$ 10,032         | \$     |
| State, county and municipal issuers .....           | 301              | 1,000             | ---    |
|   | -----            | -----             | ---    |
|   | 1,821            | 11,032            | ---    |
| Mortgage-backed securities issued by:               |                  |                   |        |
| US Government agencies .....                        |                  |                   |        |
| GSEs .....  |                  |                   |        |
| Total available-for-sale .....                      |                  |                   |        |
| Held-to-maturity at amortized cost                  |                  |                   |        |
| Mortgage-backed securities issued by:               |                  |                   |        |
| GSEs .....  |                  |                   |        |
| Total held-to-maturity .....                        |                  |                   |        |

The estimated fair values and gross unrealized losses of all of the Company's investment securities whose fair values were less than amortized cost as of March 31, 2010 which had not been determined to be other-than-temporarily impaired are presented below. The Company evaluates all available-for-sale securities and all held-to-maturity securities for impairment as of each balance



Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

|                  |       |       |       |       |
|------------------|-------|-------|-------|-------|
| Held-to-maturity |       |       |       |       |
| GSEs .....       | \$ -  | \$ -  | \$ -  | \$ -  |
|                  | ----- | ----- | ----- | ----- |
|                  | \$ -  | \$ -  | \$ -  | \$ -  |
|                  | ===== | ===== | ===== | ===== |

As of March 31, 2010, 33 securities had been continuously in an unrealized loss position for less than 12 months and no securities had been continuously in an unrealized loss position for 12 months or more. We do not consider these investments to be other-than-temporarily impaired because the unrealized losses involve primarily issuances of government-sponsored enterprises and state, county and municipal government issuers. We also believe that the impairments resulted from current credit market conditions. There have been no defaults or failures by any of the issuers to remit periodic interest payments as required, nor are we aware that any such issuer has given notice that it expects it will be unable to make any such future payment according to the terms of its bond agreement. Although we classify a majority of our investment securities as available-for-sale, management has not determined that any specific securities will be disposed of prior to maturity and believes that we have both the ability and the intent to hold those investments until a recovery of fair value, including until maturity. Furthermore, we do not believe that we will be required to sell any such securities prior to recovery of the unrealized losses. Substantially all of the state, county and municipal securities were rated at least "investment grade" by either S&P or Moody's, or both, as of March 31, 2010.

Our subsidiary bank is a member of the Federal Home Loan Bank of Atlanta ("FHLB") and, accordingly, is required to own restricted stock in that institution in amounts that may vary from time to time. These securities are carried in the "other investments" category in the Consolidated Balance Sheets. Because of the restrictions imposed, the stock may not be sold to other parties,

but is redeemable by the FHLB at the same price as that at which it was acquired by the Company's subsidiary. We evaluate this security for impairment based on the probability of ultimate recovery of the acquisition cost. No impairment has been recognized based on this evaluation.

During the first three months of 2010, we did not sell any securities, nor were there any transfers of available-for-sale securities to other categories.

Nonperforming Loans - As of March 31, 2010, there were \$16,445 in nonaccrual loans and no loans 90 days or more past due and still accruing interest.

Earnings Per Common Share - Basic earnings per common share is computed by dividing net income applicable to common shares by the weighted average number of common shares outstanding. Diluted earnings per common share is computed by dividing applicable net income by the weighted average number of common shares outstanding and any dilutive potential common shares and dilutive stock options. It is assumed that all dilutive stock options are exercised at the beginning of each period and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the period. All 2009 per share information has been retroactively adjusted to give effect to a 5% stock dividend effective December 15, 2009. Net income per common share and net income per common share, assuming dilution, were computed as follows:

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

Net income per common share, basic

Numerator - net income available to common shareholders .....

Denominator

Weighted average common shares issued and outstanding .....

Net income per common share, basic .....

Net income per common share, assuming dilution

Numerator - net income available to common shareholders .....

Denominator

Weighted average common shares issued and outstanding .....

Effect of dilutive stock options .....

Total shares .....

Net income per common share, assuming dilution .....

Stock-Based Compensation - Our 1998 stock option plan terminated on March 19, 2008 and no further options may be issued under the plan. A total of 362,267 unexpired and non-forfeited options outstanding under the plan remain exercisable until their expiration dates.

Fair Value Measurements - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. A three-level hierarchy is used for fair value measurements based upon the transparency of the inputs to the valuation of an asset or liability as of the measurement date. In developing estimates of the fair values of assets and liabilities, no consideration of large position discounts for financial instruments quoted in active markets is allowed. However, an entity is required to consider its own creditworthiness when valuing its liabilities. For disclosure purposes, fair values for assets and liabilities are shown in the level of the hierarchy that correlates with the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value input hierarchy are described as follows:

Level 1 inputs reflect quoted prices in active markets for identical assets or liabilities.

11

Level 2 inputs reflect observable inputs that may consist of quoted market prices for similar assets or liabilities, quoted prices that are not in an active market, or other inputs that are observable in the market and can be

## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

corroborated by observable market data for substantially the full term of the assets or liabilities being valued.

Level 3 inputs reflect the use of pricing models and/or discounted cash flow methodologies using other than contractual interest rates or methodologies that incorporate a significant amount of management judgment, use of the entity's own data, or other forms of unobservable data.

The following is a summary of the measurement attributes applicable to assets and liabilities that are measured at fair value on a recurring basis:

| Description<br>-----                            | March 31, 2010<br>----- | Fair Value Mea<br>-----<br>Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1)<br>----- |
|---|-------------------------|---|
|   |                         | (Dollars in   |
| Securities available-for-sale                   |                         |   |
| Mortgage-backed securities                      |                         |   |
| issued by US Government agencies .....          | \$ 1,421                | \$ -  |
| Government sponsored enterprises (GSEs) .....   | 112,075                 | -   |
| Mortgage-backed securities issued by GSEs ..... | 31,253                  | -   |
| State, county and municipal .....               | 19,664                  | -   |
|   | -----                   | -----   |
| Total securities available-for-sale .....       | \$164,413               | \$ -  |
|   | =====                   | =====   |

| Description<br>-----                | December 31, 2009<br>----- | Fair Value Mea<br>-----<br>Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1)<br>----- |
|-------------------------------------|----------------------------|---|
|                                     |                            | (Dollars in   |
| Securities available-for-sale ..... |                            |   |
|                                     | \$141,710                  | \$ -  |

Level 2 inputs for our securities available-for-sale are obtained from an independent third-party that uses a process that may incorporate current market prices, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, other reference data and industry and economic events that a market participant would be expected to use in valuing the securities. Not all of the inputs listed apply to each individual security at each measurement date. The independent third party assigns specific securities into an "asset class" for the purpose of assigning the applicable level of the fair value hierarchy used to value the securities. At March 31, 2010, those securities were valued using Level 2 inputs, as described above.

The following is a summary of the measurement attributes applicable to assets and liabilities measured at fair value on a non-recurring basis during the three

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

month period ended March 31, 2010 and the twelve month period ended December 31, 2009 and which remained outstanding at the end of each period:

12

| Description<br>----- | March 31, 2010<br>----- | Fair Value Mea<br>-----<br>Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1)<br>-----<br>(Dollars in |
|----------------------|-------------------------|--|
|----------------------|-------------------------|--|

|   |         |      |
|---|---------|------|
| Collateral-dependent impaired loans ..... | \$2,006 | \$ - |
|---|---------|------|

Gains and (losses) recognized during the three months ended:

|  | March 31, 2010<br>-----<br>(Dollars in thousands) |
|--|---|
| Collateral-dependent impaired loans .... | \$ (301)  |

| Description<br>----- | December 31, 2009<br>----- | Fair Value Mea<br>-----<br>Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1)<br>-----<br>(Dollars in t |
|----------------------|----------------------------|--|
|----------------------|----------------------------|--|

|   |          |      |
|---|----------|------|
| Collateral-dependent impaired loans ..... | \$11,219 | \$ - |
| Foreclosed assets .....                   | 6,078    | -    |

The fair value measurements shown above were made to reduce cost-based measurements to fair value measurements at initial recognition, or to adjust fair value based measurements subsequent to initial recognition, due to changes in the circumstances of individual assets during the period. For collateral-dependent impaired loans, the measurements reflect our belief that we will receive repayment solely from the liquidation of the underlying collateral. As a practical expedient, such loans may be valued by comparing the fair value of the collateral securing the loan with the loan's carrying value. If the carrying value exceeds the fair value of the collateral, the excess is charged to the allowance for loan losses. If the fair value of the collateral exceeds the loan's carrying amount, no adjustment is made, the loan continues to be carried at historical cost, and the loan is not included in the table.

The value of other real estate obtained through loan foreclosure is adjusted, if

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

needed, upon the acquisition of each property to the lower of the recorded investment in the loan or the fair value of the property as determined by a recently performed independent appraisal less the estimated costs to sell. Similarly, the fair value of repossessions is measured by reference to dealers' quotes or other market information believed to reliably reflect the value of the specific property held. Immaterial adjustments may be made by management to reflect property-specific factors such as age or condition. Losses recognized when loans are initially transferred to or otherwise included in any of the categories shown above are reported as loan losses. Subsequent to initial recognition, changes in fair value measurements of other real estate and repossessions are included in other income or other expenses, as applicable.

The following table presents the carrying amounts and fair values of our financial instruments:

13

|  | March 31, 2010     |                         |
|--|--------------------|-------------------------|
|  | Carrying<br>Amount | Estimated<br>Fair Value |
|  | -----              | -----                   |
|  |                    | (Dollar)                |
| Financial assets                               |                    |                         |
| Cash and due from banks .....                  | \$ 2,060           | \$ 2,060                |
| Interest bearing deposits due from banks ..... | 58,402             | 58,402                  |
| Securities available-for-sale .....            | 164,413            | 164,413                 |
| Securities held-to-maturity .....              | 8,345              | 8,877                   |
| Federal Home Loan Bank stock .....             | 1,307              | 1,307                   |
| Loans - net .....                              | 261,320            | 262,430                 |
| Accrued interest receivable .....              | 3,052              | 3,052                   |
| Financial liabilities                          |                    |                         |
| Deposits .....                                 | 469,771            | 469,404                 |
| Accrued interest payable .....                 | 2,596              | 2,596                   |
| Long-term debt .....                           | 8,000              | 8,005                   |

The following is a summary of the notional or contractual amounts and estimated fair values of our off-balance-sheet financial instruments:

|                                 | March 31, 2010                  |                            |
|---------------------------------|---------------------------------|----------------------------|
|                                 | Notional/<br>Contract<br>Amount | Estimated<br>Fair<br>Value |
|                                 | -----                           | -----                      |
|                                 |                                 | (Dollars i                 |
| Off-balance sheet commitments   |                                 |                            |
| Loan commitments .....          | \$27,775                        | \$ -                       |
| Standby letters of credit ..... | 823                             | -                          |

New Accounting Pronouncements - In January 2010, the Financial Accounting

## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

Standards Board ("FASB") updated Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures," to require enhanced fair value disclosures. Specifically, we are or will be required to provide additional information about fair values and fair value measurements as follows: (1) We must provide a description of the reasons for, and the amounts of, significant transfers in and out of Level 1 or Level 2 fair value measurements, and (2) for fair value measurements using significant unobservable (Level 3) inputs, we will be required to present separately information about purchases, sales, issuances and settlements (that is, on a gross basis rather than as one net number). The update requires that we expand our fair value measurement disclosures to provide information for each class of assets and liabilities. Classes are described as subsets of line items that appear in our Consolidated Balance Sheets. The update further requires that we provide additional disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements when the measurement bases are either Level 2 or Level 3 inputs. The requirements relative to presenting information about purchases, sales, issuances and settlements of fair value measurements using Level 3 inputs, will be effective for interim and annual periods of fiscal years beginning after December 15, 2010. The other enhanced disclosures are required to be presented in interim and annual periods beginning after December 15, 2009.

### CAUTIONARY NOTICE WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the securities laws. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements.

All statements that are not historical facts are statements that could be "forward-looking statements." You can identify these forward-looking statements through the use of words such as "may," "will," "should," "could," "would," "expect," "anticipate," "assume," "indicate," "contemplate," "seek," "plan," "predict," "target," "potential," "believe," "intend," "estimate,"

14

"project," "continue," or other similar words. Forward-looking statements include, but are not limited to, statements regarding the Company's future business prospects, revenues, working capital, liquidity, capital needs, interest costs, income, business operations and proposed services.

These forward-looking statements are based on current expectations, estimates and projections about the banking industry, management's beliefs, and assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies, and objectives concerning future financial and operating performance. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks and uncertainties include, but are not limited to:

- o future economic and business conditions;
- o lack of sustained growth and disruptions in the economies of the Company's market areas;



## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

- o government monetary and fiscal policies;
- o the effects of changes in interest rates on the levels, composition and costs of deposits, loan demand, and the values of loan collateral, securities, and interest sensitive assets and liabilities;
- o the effects of competition from a wide variety of local, regional, national and other providers of financial, investment, and insurance services, as well as competitors that offer banking products and services by mail, telephone, computer and/or the Internet;
- o credit risks;
- o higher than anticipated levels of defaults on loans;
- o perceptions by depositors about the safety of their deposits;
- o capital adequacy;
- o the failure of assumptions underlying the establishment of the allowance for loan losses and other estimates, including the value of collateral securing loans;
- o ability to weather the current economic downturn;
- o loss of consumer or investor confidence;
- o availability of liquidity sources;
- o the risks of opening new offices, including, without limitation, the related costs and time of building customer relationships and integrating operations as part of these endeavors and the failure to achieve expected gains, revenue growth and/or expense savings from such endeavors;
- o changes in laws and regulations, including tax, banking and securities laws and regulations;
- o changes in the requirements of regulatory authorities;
- o changes in accounting policies, rules and practices;
- o cost and difficulty of implementing changes in technology and products;
- o the effects of war or other conflicts, acts of terrorism or other catastrophic events that may affect general economic conditions and economic confidence; and
- o other factors and information described in this report and in any of the other reports that we file with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. We have no obligation, and do not undertake, to update, revise or correct any of the forward-looking statements after the date of this report. We have expressed our expectations, beliefs and projections in good faith and believe they have a reasonable basis. However, there is no assurance that these expectations, beliefs or projections will result or be achieved or accomplished.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations  
(Dollar amounts, except per share data, are in thousands)

### Changes in Financial Condition

During the first three months of 2010, our deposits increased by \$33,123, or 7.6%. We invested those funds primarily in available-for-sale investment securities and liquid interest-earning accounts with other banks. Market interest rates continue to be low and the yields we are realizing from recent purchases of investment securities generally are lower than those we realized from the securities held previously. We lengthened the maturity structure of the recently purchased investments in order to obtain better yields but also increased short-term investments in other banks to provide us with the

## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

ability to reposition the portfolio in the event that interest rates begin to rise in the future. Similarly, the lower interest rates paid on deposits in the 2010 period allowed us to decrease the overall rate on our interest-bearing deposits compared with the same period last year. Meanwhile, loan demand continues to be weak in our market areas. Loans outstanding increased by only

15

\$256 during the first three months of 2010. Credit quality also continues to present problems. Net loan charge-offs in the first quarter of 2010 totaled \$993 compared with \$755 for the 2009 three-month period.

### Results of Operations

We recorded consolidated net income of \$207 for the first three months of 2010 compared with \$414 for the same period of 2009. After deducting amounts applicable to preferred stock and not available to common shareholders, net income per common share was \$.04 for the first three months of 2010 compared with \$.11 per common share for the first quarter of 2009. Net income per common share, assuming dilution was \$.04 for the 2010 three months and \$.11 for the 2009 period. Net income per common share amounts for 2009 have been retroactively adjusted to reflect a five percent stock dividend effective December 15, 2009.

|   |               | Summary<br>-----<br>(Dollar |
|---|---------------|-----------------------------|
| For the Three Months Ended March 31,                | 2010<br>----- | 2009<br>-----               |
| Interest income .....                               | \$ 5,526      | \$ 5,78                     |
| Interest expense .....                              | 2,228         | 3,00                        |
|   | -----         | -----                       |
| Net interest income .....                           | 3,298         | 2,78                        |
| Provision for loan losses .....                     | 1,125         | 75                          |
| Noninterest income .....                            | 536           | 57                          |
| Noninterest expenses .....                          | 2,485         | 2,09                        |
| Income tax expense .....                            | 17            | 9                           |
|   | -----         | -----                       |
| Net income .....                                    | 207           | 41                          |
| Preferred stock dividends paid or accumulated ..... | (59)          |                             |
|   | -----         | -----                       |
| Net income available to common shareholders .....   | \$ 148        | \$ 41                       |
|   | =====         | =====                       |

### Net Interest Income

Net interest income is the principal source of our earnings. For the first quarter of 2010, net interest income totaled \$3,298, an increase of \$515 or 18.5% over the amount for the same period of 2009. The yield on interest earning assets decreased to 4.51% for the 2010 period, compared with 5.05% for the 2009 period, and the average rates paid for interest bearing liabilities were 2.09% and 3.02%, respectively. We reduced the average cost of interest bearing time deposits in the 2010 three-month period to 2.50% compared with 3.71% for the same period of 2009. As a result, the average interest rate spread for the 2010 period was 39 basis points higher than for the 2009 period and net

## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

yield on earning assets increased to 2.69% in the 2010 period from 2.43% for the 2009 period.

Average loans in the 2010 period were \$266,325, a decrease of \$6,054, or 2.2%, from the amount for the same period of 2009. This volume decrease more than offset a 7 basis point increase in the yield earned on loans and interest income on loans decreased to \$4,004 for the 2010 period from \$4,049 for the 2009 period. Management estimates that approximately \$220 of previously accrued interest income related to nonaccrual loans was reversed against income during the 2010 period.

Average taxable securities for the 2010 quarter were \$1,586 more than for the same period of 2009. A 68 basis point reduction in the rate earned on such securities led to the \$221 reduction in income from such securities for the 2010 period.

As mentioned previously, yields on other short-term investments such as interest-bearing deposits due from banks and federal funds sold were extremely low in both the 2010 and the 2009 periods. The Company did not sell federal funds during the first quarter of 2010 and the yield on such instruments during the 2009 quarter resulted in a yield of only .15%. Despite their current low earning potential, we believe that it is prudent at this time to maintain relatively large amounts of such assets that can be shifted into other categories of earning assets when it is advantageous to do so.

Interest rates paid for interest-bearing deposits decreased to 2.06% for the 2010 period, compared with 3.00% for the 2009 period due to our response to prevailing lower rates generally. The majority of our time deposit accounts

16

are issued with original maturities of 12 months or less. Consequently, the rates we pay for such deposits generally follow the trends of overall market rates.

|  | Average Balances<br>Three Months E<br>----- |   |                               |
|--|---|---|-------------------------------|
|  | 2010<br>----                                |   |                               |
|  | Average<br>Balances<br>-----                | Interest<br>Income/<br>Expense<br>----- | Yields/<br>Rates (1)<br>----- |
|  | (Dollars in th                              |   |                               |
| <b>Assets</b>                                  |   |   |                               |
| Interest-bearing deposits due from banks ..... | \$ 68,712                                   | \$ 38                                   | 0.22%                         |
| <b>Securities</b>                              |   |   |                               |
| Taxable .....                                  | 141,520                                     | 1,285                                   | 3.68%                         |
| Tax exempt (2) .....                           | 19,514                                      | 199                                     | 4.14%                         |
|  | -----                                       | -----                                   |                               |
| Total investment securities .....              | 161,034                                     | 1,484                                   | 3.74%                         |
| Other investments .....                        | 1,307                                       | -                                       | 0.00%                         |
| Federal funds sold .....                       | -   | -                                       | 0.00%                         |
| Loans (2) (3) (4) .....                        | 266,325                                     | 4,004                                   | 6.10%                         |
|  | -----                                       | -----                                   |                               |
| Total interest earning assets .....            | 497,378                                     | 5,526                                   | 4.51%                         |

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

|   |            |          |       |
|---|------------|----------|-------|
| Cash and due from banks .....               | 1,987      |          |       |
| Allowance for loan losses .....             | (5,969)    |          |       |
| Unrealized securities gains (losses) .....  | 1,610      |          |       |
| Premises and equipment .....                | 8,563      |          |       |
| Other assets .....                          | 23,418     |          |       |
|   | -----      |          |       |
| Total assets .....                          | \$ 526,987 |          |       |
|   | =====      |          |       |
| Liabilities and shareholders' equity        |            |          |       |
| Interest bearing deposits                   |            |          |       |
| Interest bearing transaction accounts ..... | \$ 56,450  | \$ 84    | 0.60% |
| Savings .....                               | 36,235     | 27       | 0.30% |
| Time deposits \$100M and over .....         | 141,530    | 733      | 2.10% |
| Other time deposits .....                   | 189,113    | 1,308    | 2.81% |
|   | -----      | -----    |       |
| Total interest bearing                      |            |          |       |
| deposits .....                              | 423,328    | 2,152    | 2.06% |
| Long-term debt .....                        | 8,000      | 76       | 3.85% |
|   | -----      | -----    |       |
| Total interest bearing                      |            |          |       |
| liabilities .....                           | 431,328    | 2,228    | 2.09% |
| Noninterest bearing demand deposits .....   | 46,419     |          |       |
| Other liabilities .....                     | 4,036      |          |       |
| Shareholders' equity .....                  | 45,204     |          |       |
|   | -----      |          |       |
| Total liabilities and shareholders'         |            |          |       |
| equity .....                                | \$ 526,987 |          |       |
|   | =====      |          |       |
| Interest rate spread .....                  |            |          | 2.42% |
| Net interest income and net yield           |            |          |       |
| on earning assets .....                     |            | \$ 3,298 | 2.69% |
| Interest free funds supporting earning      |            |          |       |
| assets .....                                | \$ 66,050  |          |       |

- 
- (1) Yields and rates are annualized.
  - (2) Yields on tax exempt instruments have not been adjusted to a tax-equivalent basis.
  - (3) Nonaccruing loans are included in the loan balance and income from such loans is recognized on a cash basis.
  - (4) Includes immaterial amounts of loan fees.

17

We continue to pursue strategies that we believe will increase our market share in our local market areas in Anderson and Oconee Counties of South Carolina. We serve Oconee County from four offices which are located in Seneca, Walhalla and Westminster and the Anderson County market is served from offices in Anderson and Williamston.

Provision and Allowance for Loan Losses

We provided \$1,125 and \$750 for loan losses in the first quarters of 2010 and 2009, respectively. As of March 31, 2010, the allowance for loan losses was 2.31% of loans compared with 2.26% of loans at December 31, 2009 and 1.98% as of March 31, 2009. During the 2010 three month period, net charge-offs totaled \$993, compared with \$755 in net charge offs during the same period of

Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

2009. As of March 31, 2010, nonaccrual loans totaled \$16,445 and there were no loans 90 days or more past due and still accruing interest. Approximately 82% of those nonaccrual loans were secured by real estate. As of March 31, 2009, nonaccrual loans totaled \$14,634 and there were no loans 90 days or more past due and still accruing interest. The activity in the allowance for loan losses is summarized in the table below:

|   | Three Months<br>Ended<br>March 31,<br>2010<br>---- |
|---|--|
| Allowance at beginning of period .....                                | \$ 6,052   |
| Provision for loan losses .....                                       | 1,125  |
| Net charge-offs .....   | (993)  |
|   | -----  |
| Allowance at end of period .....                                      | \$ 6,184   |
|   | =====  |
| Allowance as a percentage of loans outstanding<br>at period end ..... | 2.31%  |
| Loans at end of period .....  | \$ 267,504   |
|   | =====  |

18

Non-Performing and Potential Problem Loans

|                          | Non-accrual<br>Loans<br>----- | 90 Days or<br>More Past Due<br>and Still<br>Accruing<br>----- | Total<br>Non-Performing<br>Loans<br>----- | Percent<br>of Tot<br>Loans<br>----- |
|--------------------------|-------------------------------|---|---|-------------------------------------|
|                          |                               |   | (Dollars in thousa                        |                                     |
| January 1, 2009 .....    | \$ 11,799                     | \$ -  | \$ 11,799                                 | 4.36%                               |
| Net change .....         | 2,835                         | -   | 2,835                                     |                                     |
|                          | -----                         | -----   | -----                                     |                                     |
| March 31, 2009 .....     | 14,634                        | -   | 14,634                                    | 5.31%                               |
| Net change .....         | 2,882                         | -   | 2,882                                     |                                     |
|                          | -----                         | -----   | -----                                     |                                     |
| June 30, 2009 .....      | 17,516                        | -   | 17,516                                    | 6.41%                               |
| Net change .....         | (2,632)                       | -   | (2,632)                                   |                                     |
|                          | -----                         | -----   | -----                                     |                                     |
| September 30, 2009 ..... | 14,884                        | -   | 14,884                                    | 5.52%                               |
| Net change .....         | (1,014)                       | -   | (1,014)                                   |                                     |
|                          | -----                         | -----   | -----                                     |                                     |
| December 31, 2009 .....  | 13,870                        | -   | 13,870                                    | 5.19%                               |
| Net change .....         | 2,575                         | -   | 2,575                                     |                                     |
|                          | -----                         | -----   | -----                                     |                                     |
| March 31, 2010 .....     | \$ 16,445                     | \$ -  | \$ 16,445                                 | 6.15%                               |

## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

=====

Potential problem loans include loans, other than non-performing loans, that management has identified as having possible credit problems sufficient to cast doubt upon the abilities of the borrowers to comply with the current repayment terms. However, the amount of potential problem loans does not reflect management's expectations of losses, if any, that may be realized from those loans. As of March 31, 2010, approximately 90% of the dollar amount of potential problem loans had real estate as collateral, 9% had vehicles and other items as collateral, and approximately 1% represented unsecured loans.

South Carolina's 12.2% unemployment rate was the sixth highest rate of unemployment of the 50 states as of March 31, 2010 compared with 11.4% for March 2009. The unemployment rates for Oconee and Anderson Counties were each approximately 13% for March 2010 compared with 14% and 12%, respectively, for March 31, 2009. Worsening of this condition or a prolonged period at or near current levels, significant increases in prices for fuel and food, continuing declines in the values of homes and other real properties, declining demand for products manufactured locally, and other events could continue to have adverse effects on those areas and potentially lead to further deterioration of the abilities of our loan customers to repay their debts. These events could lead to higher amounts of nonaccrual, past due and potential problem loans and higher loan losses, all of which could result in higher provisions for loan losses.

### Noninterest Income

Noninterest income was \$536 for the first quarter of 2010, compared with \$571 for the first quarter of 2009. Service charges on deposit accounts in the 2010 period were \$301 representing a decrease of \$22 from the prior year period. Debit card transaction fees for the 2010 period decreased by \$4 from the 2009 amount. Other income for the 2010 period was \$7 less than for the 2009 period. These decreases are the result of lower volumes of chargeable account activity by our customers.

### Noninterest Expenses

Noninterest expenses were \$2,485 for the first quarter of 2010, compared with \$2,097 for the first quarter of 2009, representing an increase of \$388 or 18.5%. Salaries and employee benefits decreased by \$62, or 5.2%, to \$1,119. We have chosen not to hire replacements for some departing employees until general economic conditions begin to improve.

FDIC insurance expense increased to \$398 for the 2010 period from \$70 for the 2009 period due to significant changes in the FDIC's assessment bases and the rates applied. Expenses related to FDIC insurance have increased in recent periods due to a higher assessment base, increases in the assessment rate, and special assessments imposed by the Federal Deposit Insurance Corporation. We believe that future deposit insurance expenses will be higher than we experienced previously.

Income tax expense for the first quarter of 2010 decreased by \$76 from the amount for the same period of 2009 due to lower net income before income

taxes and proportionally higher amounts of tax-exempt investment income. Tax-exempt interest income was 88.8% of income before income taxes in the 2010 period compared with 41.2% of income before income taxes for the 2009 period.

## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

### Liquidity

Liquidity is the ability to meet current and future obligations through the liquidation or maturity of existing assets or the acquisition of additional liabilities. We manage both assets and liabilities to achieve appropriate levels of liquidity. Cash and short-term investments are our primary sources of asset liquidity. These funds provide a cushion against short-term fluctuations in cash flow from both deposits and loans. Securities available-for-sale provide our principal source of secondary asset liquidity. However, the availability of this source is influenced by market conditions to a significant extent. Individual and commercial deposits are the primary sources of funds for our credit activities. We also have significant amounts of credit availability under our FHLB lines of credit.

As of March 31, 2010, the ratio of loans to total deposits was 56.9%, compared with 61.2% as of December 31, 2009. Total deposits as of March 31, 2010 were \$469,771, an increase of \$33,123 or 7.6% over the amount as of December 31, 2009. Management believes that we have liquidity sources sufficient to meet our operating needs.

### Capital Resources

Our capital base has increased by \$1,056 since December 31, 2009 as the result of net income of \$207 for the first three months of 2010, plus an \$871 change in net unrealized gains on available-for-sale securities, net of deferred income tax effects, and \$17 from the exercise of employee stock options, less \$39 cash dividends paid on our preferred stock.

The Company and its banking subsidiary (the "Bank") are subject to regulatory risk-based capital adequacy standards. Under these standards, bank holding companies and banks are required to maintain certain minimum ratios of capital to risk-weighted assets and average total assets. Under the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), federal bank regulatory authorities are required to implement prescribed "prompt corrective actions" upon the deterioration of the capital position of a bank. If the capital position of an affected institution were to fall below certain levels, increasingly stringent regulatory corrective actions are mandated.

The March 31, 2010 risk based capital ratios for the Company and the Bank are presented in the following table, compared with the "well capitalized" (Bank only) and minimum ratios under the regulatory definitions and guidelines:

|   | Tier 1 | Total<br>Capital | Leverage |
|---|--------|------------------|----------|
|   | -----  | -----            | -----    |
| Community First Bancorporation .....        | 14.2%  | 15.4%            | 8.5%     |
| Community First Bank .....                  | 12.6%  | 13.9%            | 7.5%     |
| Minimum "well-capitalized" requirement .... | 6.0%   | 10.0%            | 5.0%     |
| Minimum requirement .....                   | 4.0%   | 8.0%             | 4.0%     |

### Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is a party to financial instruments with off-balance-sheet risk including commitments to extend credit and standby letters of credit. Such instruments have elements of credit risk in excess of the amount recognized in the balance sheet. The exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Generally, the same credit policies used for on-balance-sheet instruments, such as loans, are used in extending loan commitments and standby letters of credit.

## Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

Following are the off-balance-sheet financial instruments whose contract amounts represent credit risk:

|                                 | March 31, 2010<br>(Dollars in<br>thousands)<br>----- |
|---------------------------------|--|
| Loan commitments .....          | \$ 27,775  |
| Standby letters of credit ..... | 823  |

20

Loan commitments involve agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and some involve payment of a fee. Many of the commitments are expected to expire without being fully drawn; therefore, the total amount of loan commitments does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if any, upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include commercial and residential real properties, accounts receivable, inventory and equipment.

Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is the same as that involved in making loan commitments to customers. Many letters of credit will expire without being drawn upon and do not necessarily represent future cash requirements. The Bank receives fees for loan commitments and standby letters of credit. The amount of such fees was not material for the three months ended March 31, 2010.

As described under "Liquidity," management believes that its various sources of liquidity provide the resources necessary for the Bank to fund the loan commitments and to perform under standby letters of credit, if the need arises. Neither the Company nor the Bank is involved in other off-balance sheet contractual relationships or transactions that could result in liquidity needs or other commitments or significantly impact earnings.

21

### Item 4T. - Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the issuer's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the issuer's chief executive officer and chief financial officer concluded such controls and procedures, as of the end of the period covered by this report, were effective.

There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



Edgar Filing: COMMUNITY FIRST BANCORP - Form 10-Q

PART II - OTHER INFORMATION

Item 6. - Exhibits

- Exhibits            31. Rule 13a-14(a)/15d-14(a) Certifications  
                     32. Certifications Pursuant to 18 U.S.C. Section 1350

22

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMUNITY FIRST BANCORPORATION

May 14, 2010

/s/ Frederick D. Shepherd, Jr.

-----  
Date

-----  
Frederick D. Shepherd, Jr., Chief Executive  
Officer and Chief Financial Officer

23

EXHIBIT INDEX

31. Rule 13a-14(a)/15d-14(a) Certifications  
32. Certifications Pursuant to 18 U.S.C. Section 1350

24