



March 5, 2009

Neil M. Barofsky
Special Inspector General
TARP
1500 Pennsylvania Ave., NW
Suite 1064
Washington, DC 20220

Re; Response to letter dated February 6, 2009

Dear Mr. Barofsky,

We are responding as requested to your letter as stated above.

1. A narrative response outlining:

a) Your anticipated use of TARP funds:

We were and remain a well capitalized small community bank. Our application was approved on our intended use to continue to lend to the local community as we have in the past. We suffered a severe loss from the devaluation of Freddie and Fannie stock and we felt this would be a nice replacement to continue our local loan commitment. Please see our enclosed brochures on the Oakland 1st Fund and the Bay Area Green Fund.

b) Whether the TARP funds were segregated from other institutional funds:

No we did not separate this from already existing capital for accounting and / or lending purposes. Based on the well known economic axiom of the bank leverage factor, by combining the TARP with our existing capital, we can expand it by at least 10 times its amount. If we were only to lend out the exact amount we received it would 'short change' our community of another 9 times its value or nearly \$18 million in loans.

c) Your actual use of TARP funds to date:

We have made or committed \$6,885,000. loans since receipt of the TARP monies or 3 times amount received under TARP.

d) Your expected use of unspent TARP funds

I trust this is a mis-statement of a question. You do not **spend** capital and since this is the form in which it was invested into Community Bank of the Bay, it is



difficult to accurately answer. Our intent to use this capital is to support expansion of deposits from which we will continue to make loans into our community as we always have since our founding in 1996. Our ability to leverage this capital is the question I believe you are asking? We are a certified Community Development Financial Institution (CDFI) whose primary mission is to put money back into the community for local needs and job creation. Our focus has been, and will continue to be the small business community, local non-profits, and the faith based community. We also have as a subset of this, the environmental and sustainable credit needs within our defined marketplace.

2. Your specific plans, and the status of implementation of those plans for addressing executive compensation requirements associated with the funding.

We have contracted with an outside consultant to meet with the Board of Directors to monitor our compliance to all aspects of compensation. We have, however, found it difficult to keep up with the changes to this area since our original application in December 2008. These subsequent changes from our initial reading of the documents caused us concern and therefore the retention of an outside expert. While we felt we understood it back in December, the changes to the compensation have been significant and were not fully communicated to us prior to and during the application process. It makes it difficult if we have to manage 'after the fact'. We fully intend to be in compliance for the term the TARP funds are held by CBB.

In connection:

1. We are in the process of re-evaluation or budget(s) and strategic plans in light of both the micro and macro events taking place in our economy and marketplace. Our intended use of the TARP funds has not nor will it change from its original use which is to supplement our already well capitalized position, attract more deposits and then leverage that growth into more loans into our community.

We understand the requirement for preservation of documents and we will be and remain compliant with this requirement.

2. Please find the attached supporting documents to the above.



3. I have signed it but I find it particularly offensive to cite "Title 18, United States Code, Section 1001".

I am not an attorney and therefore did not know what that meant. I, however, have been in community banking for over 40 years and find a citation like this both personally, and professionally very troubling. I think it comes off as very heavy handed and onerous to a small community oriented bank that had nothing to do with the problems we see in the financial community. We did not make sub-prime loans, engage in predatory lending, sell 'toxic derivatives', or open off shore accounts.

So if you want to use the above to come after me or my bank, please make sure the real perpetrators are locked up first.

A handwritten signature in black ink, appearing to read "Brian K. Garrett", is written over a large, light-colored scribble or watermark.

Brian K. Garrett
President and CEO

enclosures

Summary Pipeline Report

LENDER	PROSPECT NAME	CITY	ZIP CODE	BIZ MGR LINE AMOUNT	RLOC AMOUNT	TERM LOAN AMOUNT	OTHER LOAN AMOUNT	TOTAL LOANS	DATE PACKAGE RECEIVED	STAGE OF REVIEW
		Fremont			1,000,000	7,000,000		8,000,000		AB
		Rancho Murietta			1,300,000			1,300,000		AB
		Oakland			250,000			250,000	2/25/2009	WP
		Oakland					500,000	500,000	2/23/2009	WP
		Emeryville			1,250,000			1,250,000	3/2/2009	SP
		Livermore			3,000,000			3,000,000	2/9/2009	WP
		Livermore					2,000,000	2,000,000	2/17/2009	WP
		Stockton			3,750,000			3,750,000	2/3/2009	WP
					10,550,000	7,000,000	2,500,000	20,050,000		
		Union City				200,000		200,000	N/A	
		El Sobrante				2,200,000		2,200,000	N/A	
		San Jose				66,000		66,000	2/28/2009	SP
		Berkeley				300,000		300,000	Recd Initial	Need App
		Oakland				760,000		760,000		AB
		Tracy		350,000				350,000	2/23/2009	SP
		Pacifica		350,000				350,000	2/15/2009	SP
		San Mateo		700,000		500,000		500,000	2/28/2009	WP
						4,026,000		4,726,000		
		Oakland	94612				1,250,000	1,250,000	2/18/2009	MA
		Hayward	94545	400,000				400,000		data due 3/3/09
		Hayward	94545	600,000				600,000		To meet principal
				1,000,000				1,250,000		on 3/3/09
		San Jose	95110		1,250,000	1,750,000		3,000,000	1/15/2009	AB
		San Leandro	94577		1,000,000	2,000,000		3,000,000	1/1/2009	AB
		Oakland	94612		350,000			350,000	1/30/2009	WP
		Danville	94506		100,000	200,000		300,000	2/15/2009	WP
		Hayward	94545		500,000	100,000		600,000	2/15/2009	Package Received
		Stockton	95206		1,000,000	1,500,000		2,500,000	2/15/2009	Package Received
					4,200,000	5,550,000		9,750,000		

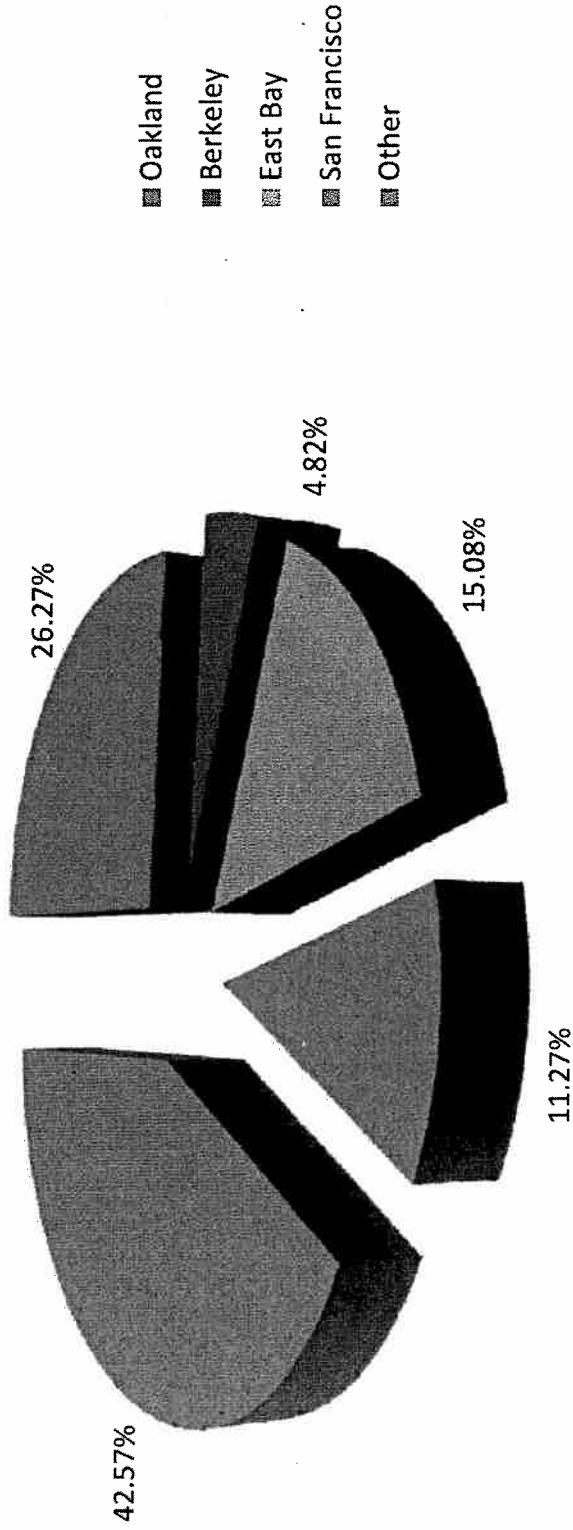
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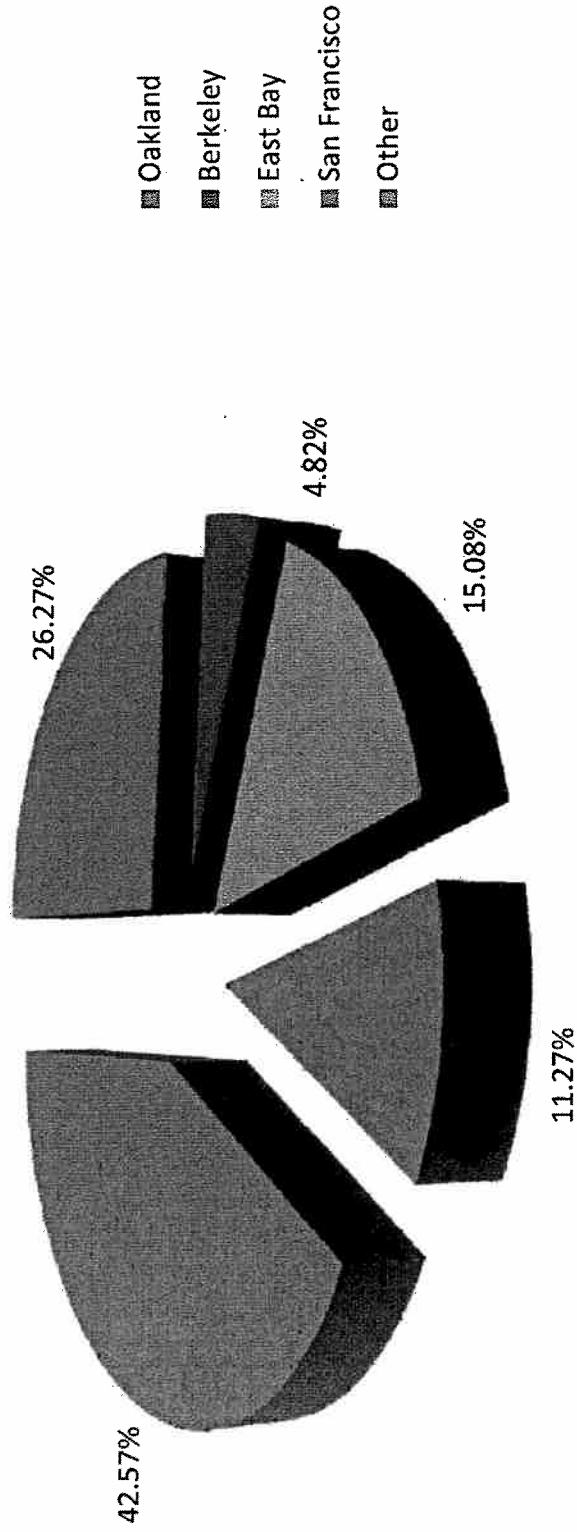
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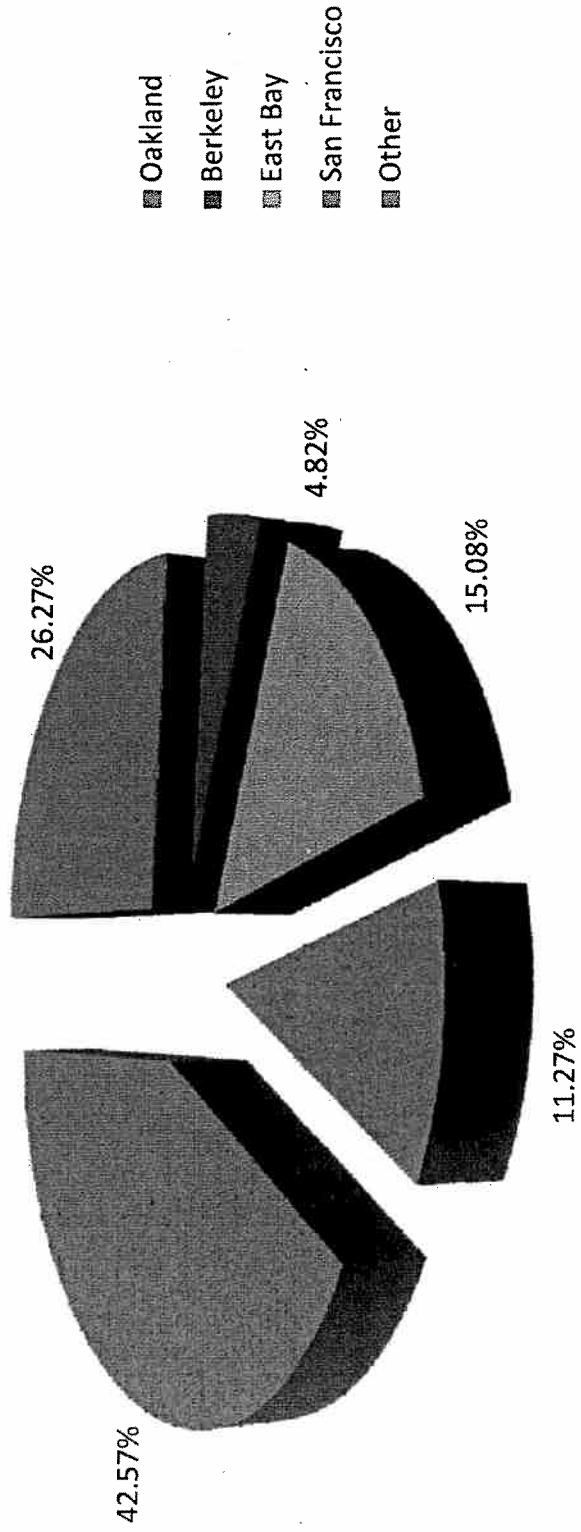
COMMUNITY BANK OF THE BAY
Geographic Concentrations by Loan Balance
As Of: 12/31/08



COMMUNITY BANK OF THE BAY
Geographic Concentrations by Loan Balance
As Of: 12/31/08



COMMUNITY BANK OF THE BAY
Geographic Concentrations by Loan Balance
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www.Oakland1stFund.com

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Community Bank of the Bay wants to help you.

You love Oakland.

We've created the Oakland 1st Fund to help you put your money to work making Oakland a better place to live, work and play – while at the same time earning the same fiscal return you would on any other bank investment.



We like to think of it as a double bottom line – in dollars and sense!

When you invest in the Oakland 1st Fund, Community Bank of the Bay designates your deposits for use exclusively for loans to businesses and individuals who agree to use the money in Oakland. Loans made from the fund might be used to build housing, create jobs, expand a business or in any other way that will help the community. True economic recycling!

There are no extra costs or requirements attached to the Oakland 1st Fund. In fact there's not even any one specific kind of investment required. If you already have deposits at Community Bank, in any account whatsoever, just tell your Community Banker to designate your money for developing Oakland 1st. If you're new to the bank, select any new account that best suits your needs.



All Accounts qualify for the Oakland 1st Fund. Be in control of your deposits and how they are used.

We will periodically report to you the results that your investment has brought about.

**Invest in Oakland today
Just say you want to support Oakland 1st**



Can I really support the environment by where I bank?

Can I really control what my money is used for?

Yes, you can do both by depositing your money into the Bay Area Green Fund. The Bay Area Green Fund provides financing to local green businesses and projects. As a customer of the bank, you can choose to dedicate your deposits to the Bay Area Green Fund – so you'll have the satisfaction of knowing your money is helping support your environmental values.

If you are a green business or a business considering green improvements, you are eligible to apply for loans from the Bay Area Green Fund to finance a sustainable future for you and your business.

As part of our commitment to green business practices, Community Bank of the Bay was certified as a Bay Area Green Business in 2007, making us the first green bank in Oakland. We are also pleased to offer The Green Machine, which allows your business to easily deposit checks without leaving your office – enhancing your cash flow and productivity, while reducing pollution.

Contact us today to find out more about the Bay Area Green Fund, the Green Machine and other green initiatives.

PLEASE CONTACT:

Brad Garrett
Bay Area Green Fund Director
510.433.5420
bradg@communitybankbay.com

