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Dear Fellow HFBC Owner,

We believe Management and the Board of HFBC do not have their attention in the right place.

John Peck's salary for each year since 2001:

<u>Year</u>	<u>Base Salary</u>
2012	\$301,044
2011	\$292,524
2010	\$284,004
2009	\$277,242
2008	\$255,990
2007	\$235,750
2006	\$213,175
2005	\$187,425
2004	\$174,250
2003	\$142,978
2002	\$125,480
2001	\$119,413

Here are some of the perks he received on top of his salary in 2012:

- Car lease payments for Mr. Peck of \$10,494. (He couldn't afford a car on his salary?)
- \$3,390 for Mr. Peck's country club dues. (His salary isn't enough to cover his golf membership?)
- \$7,800 paid by the Company to Mr. Peck for the Company's use of a building owned by Mr. Peck. (What can we say about this one?)
- \$20,000 to Mr. Peck's 401(k) account.
- \$7,825 in director fees paid to Mr. Peck. (On the boards that I've served as a director, no executive officer ever accepted director fees.)
- Mr. Peck's stock awards were valued at \$117,046.
- Separate from everything listed above, Mr. Peck received a \$59,953 cash bonus.

I don't know how you feel about all of the above when balanced against 38 cents of earnings per share, but it seems to me that our CEO is well taken care of irrespective of how shareholders fare. Contrary to what the Board suspects, we do not believe employees are just expenses; however, considering Mr. Peck's contribution to shareholder value, we think his cost is dramatically out of line with the results produced.

Now, the Board proposes the '2013 Long Term Incentive Plan,' saying they'll have additional "skin in the game" if they get more free stock. Huh? We paid cash for 100% of our stock, just like you – but unlike Management. Ironically, as we were using cash to buy our stock, Mr. Peck sold 10,000 shares at \$10.26 per share on 2/20/2013. Free stock isn't skin in the game, and we view it as a patently self-serving and absurd claim by the Board. If I were them, I would feel ashamed.

In the hundreds of community banks in which I've invested over the past 25 years, some axioms have become self-evident to me. **There is absolutely no rhyme or reason for a bank that is performing below average to expand.** Growing should not even be considered unless a bank is consistently earning a normalized return on equity. HFBC has not done so for some time. **Furthermore, under no circumstances should a bank trading under tangible book value buy another bank at a premium to book.** If a bank manager believes he has a well-run bank, he should be jumping at the opportunity to repurchase his company's shares at a discount. Mr. Peck's sale of his personal shares only weeks ago sends a strong message.

For a company that has been public for 15 years, we think HFBC continues to make too many rookie mistakes. Hence, we believe shareholder value will be maximized through the termination of the Sumner deal and then consideration of HFBC's sale to a better-run institution.

Sincerely,

/s/ Joseph Stilwell

