

Letter to Stockholders

Dear Stockholders:

Oxford Bank was classified as a troubled bank by state and federal regulators in May of 2008 and placed under an Order to Cease and Desist primarily as the result of a large body of non-performing mortgage, consumer, and commercial loans coupled with an abundance of regulatory and operating performance issues that together threatened and continue to threaten the Bank's long-term prospects. The Bank incurred operating losses in 2007, 2008, and 2009 of \$5.9mm, \$20.2mm, and \$3.8mm respectively (after a positive Net Operating Loss Look-Back adjustment of \$3.1mm for 2009) totaling approximately \$33mm. New management inherited these circumstances in June of 2009. The budgeted 2010 operating loss is estimated to be approximately \$4.7mm primarily as a result of: (1) continuing but reduced loan losses, (2) associated loan portfolio collection expenses, (3) other real estate owned (OREO) maintenance expenses, and (4) burdensome FDIC Insurance premiums. These operating expenses and subsequent operating losses have severely eroded shareholder value and the Bank's capital account to a level termed "undercapitalized" by state and federal regulators. The Bank continues to operate under the May 25, 2008 Order to Cease and Desist (Order). However, the Bank is now in substantial compliance with all paragraphs of the Order with the exception of maintaining the required Tier I Capital/Asset Ratio of 8.00%. The Bank's Tier I Capital/Asset Ratio as of December 31, 2009 was 4.02%.

In response to regulatory, loan, and operational issues, intensified by near unprecedented unemployment levels, severely deteriorating real estate values, and poor economic conditions in general, new management was obtained as of June 22, 2009. As President and Chief Executive Officer of the Bank and the Company, I am here to bring all of my professional energy and expertise to rehabilitate Oxford Bank; and if successful, causing the Bank to remain a viable, profitable, independent community bank. In order to rescue and turn the Bank around from impending dire consequences, a number of necessary and critical operational adjustments have been developed and implemented since June of 2009. These adjustments include: (1) reducing the numbers of officers and staff to better fit the Bank's asset size, (2) shoring-up bank-wide internal controls, (3) obtaining expertise to aggressively react to reducing and containing non-performing loans, (4) organizing and further training the staff to be more effective and productive, (5) aggressively reducing and eliminating unnecessary operational expenses throughout the Bank, and (6) initiating intense efforts to obtain new capital. Collectively, these operational adjustments are saving the Bank approximately \$2.0mm on an annualized basis.

Recapitalization is a critical step in the Bank's future; that if successful, will allow: (1) non-performing loans to be purged from the balance sheet, (2) elimination of the Order to Cease and Desist, (3) substantially reduce burdensome FDIC insurance premiums, (4) sharply curtail substantial collection and maintenance related loan expenses, and (5) enable the Bank to quickly return to profitability.

Our ongoing efforts to raise new capital have included, but are not necessarily limited to the following: (1) Austin & Associates, prominent mergers and acquisitions consultants from Toledo, Ohio, was engaged in 2008 to pursue merger or acquisition opportunities. Although over thirty target sources have been contacted, no offers to invest have materialized, (2) Shareholders approved and the Board of Directors implemented a Private Placement Memorandum (PPM) in 2009 to raise a minimum of \$10mm to a maximum of \$25mm of new capital at \$2.00 per share in an effort to attract new capital from accredited existing shareholders and/or new investors. No PPM subscriptions have been obtained to date and the Fair Market Value (FMV) of the Bank's stock has since deteriorated further to an estimated range of \$1.00 or less, and (3) Management has contacted all logical bank holding companies, investment bankers, and other sources to obtain new capital. Although there are varying degrees of investor interest, we have not yet obtained the appropriate recapitalization combination to embrace the inherent risk in the Bank's loan portfolio. However, we remain optimistic about our chances, and while we cannot promise success, you may be assured that beyond safety, soundness, and regulatory compliance, management places its highest priority on obtaining new capital on a continuing basis.

In addition to these challenges, Oxford Bank also enjoys several and somewhat unique characteristics; particularly when compared to other troubled banks that include: (1) strong overall balance sheet fundamentals, (2) a stable core deposit base of about \$315mm as of December 31, 2009, (3) a solid liquidity ratio of approximately 30%, (4) no debt, (5) no brokered deposits, (6) no trust preferred, (7) no litigation, (8) a respectable Net Interest Margin (NIM) of over 3.6%, (9) moderately asset sensitive interest rate risk position that is well situated for a rising interest rate environment, and (10) an eight branch, 126 year legacy community banking franchise that is bringing encouraging interest from several investor sources.


The Bank is making further upgrades to our products and services through two new products that will be available to our retail and business customers during 2010. The first is Electronic Customer Statements that will provide the Bank's customers with a "green" solution to receive their monthly checking account statements electronically. Customers will have the ability to enroll in this service through the Bank's online banking website. The second new service is Online Banking and Bill Pay Services that will provide business customers with free online banking and bill pay services. This product is currently free to our retail customers. In addition, the Bank participates in the FDIC's Transaction Account Guarantee Program that provides the highest level of insurance coverage for our deposit customers.

Although important challenges still prevail, Oxford Bank has and is making substantial progress. Shareholders, employees, customers, and communities served may be assured intensive efforts and all available resources are being brought to bear to further affect corrective action and obtain new capital as expeditiously as possible.

Thank you for your loyalty and support; we look forward to the privilege of continuing to serve your banking needs as well as those of your family, friends, and business associates.

Sincerely,




C. James Bess
President & CEO
Oxford Bank Corporation