COMMUNITY FIRST BANCORP
Form 10-Q
May 14, 2008

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, 2008 Commission File No. 000-29640

COMMUNITY FIRST BANCORPORATION
(Exact name of registrant as specified in its charter)

South Carolina	58-2322486
(State or other jurisdiction of incorporation or organization)	(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 [X] No [ ]

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 [X]
(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, 3,359,203 Shares Outstanding on April 30, 2008

COMMUNITY FIRST BANCORPORATION

FORM 10-Q

Index

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements

COMMUNITY FIRST BANCORPORATION
Consolidated Balance Sheets

Assets

Cash and due from banks ....

Interest bearing deposits due from banks	
Federal funds sold	
Cash and cash equivalents	
Securities available-for-sale	
Securities held-to-maturity (fair value $5,508 for 2008 and $5,625 for 2007)	
Other investments	
Loans	
Allowance for loan losses	
Loans - net	
Premises and equipment - net	
Accrued interest receivable	
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	
Common stock - no par value; 10,000,000 shares authorized; issued and outstanding - 3,359,203 for 2008 and 3,324,105 for 2007	
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.

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Income

	(Unaudited) Three Months Ended March 31, 2008	(Unaudited) Three Months Ended March 31, 2007

	(Dollars in thousands, except per share)	
Interest income		
Loans, including fees	$4,732	$3,978
Interest bearing deposits due from banks	2	1
Securities		
Taxable	1,017	938
Tax-exempt	206	187
Other investments	13	15
Federal funds sold	386	542
Total interest income	6,356	5,661
Interest expense		
Time deposits $100M and over	1,153	918
Other deposits	2,396	2,224
Short-term borrowings	-	3
Long-term debt	39	54
Total interest expense	3,588	3,199
Net interest income	2,768	2,462
Provision for loan losses	130	-
Net interest income after provision	2,638	2,462
Other income		
Service charges on deposit accounts	360	334
ATM interchange and other fees	129	105
Credit life insurance commissions	4	7
Increase in value of bank-owned life insurance	93	-
Other income	23	40
Total other income	609	486
Other expenses		
Salaries and employee benefits	1,037	811
Net occupancy expense	119	88
Furniture and equipment expense	110	102
Amortization of computer software	75	59
ATM interchange and related expenses	110	70
Other expense	436	404
Total other expenses	1,887	1,534
Income before income taxes	1,360	1,414
Income tax expense	400	457
Net income	$ 960	$ 957
Per share*		
Net income	$ 0.29	$ 0.31
Net income, assuming dilution	0.27	0.29

* Per share information has been retroactively adjusted to reflect a 5% stock dividend effective December 20, 2007.

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Re E
		(Dollars in tho		
Balance, January 1, 2007	2,958,558	$ 30,061	$ 593	$
Comprehensive income:				
Net income	-	-	-	
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of income taxes of $114	-	-	-	
Total other comprehensive income				
Total comprehensive income				
Exercise of employee stock options	13,860	76	-	
Balance, March 31, 2007	2,972,418	$ 30,137	$ 593	$
Balance, January 1, 2008	3,324,105	$ 35,009	$ 681	$
Comprehensive income:				
Net income	-	-	-	
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of income taxes of $340	-	-	-	
Total other comprehensive income				
Total comprehensive income				
Exercise of employee stock options	35,098	180	-	
Balance, March 31, 2008	3,359,203	$ 35,189	$ 681	$

See accompanying notes to unaudited consolidated financial statements.

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 ....
Loss on sale of foreclosed assets ....
Increase in cash surrender value of bank-owned life insurance ....
(Increase) decrease in interest receivable ....
Increase in interest payable ....
(Increase) 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 ....
Maturities, calls and paydowns of securities held-to-maturity ....
Purchases of other investments ....
Disposals of other investments ....
Net increase in loans made to customers ....
Purchases of premises and equipment ....
Proceeds of sale of foreclosed assets ....
Investment in bank-owned life insurance ....

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	
Decrease in short-term borrowings	
Exercise of employee stock options	
Net cash provided by financing activities	
Increase in cash and cash equivalents	
Cash and cash equivalents, beginning	
Cash and cash equivalents, ending	
Supplemental Disclosure of Cash Flow Information	
Cash paid during the period for	
Interest, net of $15 capitalized during construction in 2007	
Income taxes	
Noncash investing and financing activities:	
Other comprehensive income	

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION

Notes to Unaudited Consolidated Financial Statements

Accounting Policies - A summary of significant accounting policies is included in Community First Bancorporation's (the "Company") Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission. Certain amounts in the 2007 financial statements have been reclassified to conform to the current presentation.

Management Opinion - In the opinion of management, the accompanying unaudited consolidated financial statements of Community First Bancorporation reflect all adjustments necessary for a fair presentation of the results of the periods presented. Such adjustments were of a normal, recurring nature.

Nonperforming Loans - As of March 31, 2008, there were $444,000 in nonaccrual loans and no loans 90 days or more past due and still accruing interest.

Earnings Per 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 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 2007 per share information has been retroactively adjusted to give effect to a 5% stock dividend effective December 20, 2007. Net income per share and net income per share, assuming dilution, were computed as follows:

Net income per share, basic	
Numerator - net income	
Denominator	
Weighted average common shares issued and outstanding	
Net income per share, basic	
Net income per share, assuming dilution	
Numerator - net income	
Denominator	
Weighted average common shares issued and outstanding	
Effect of dilutive stock options	
Total shares	
Net income per share, assuming dilution	

Stock-Based Compensation - As of March 31, 2008, the Company had two stock-based compensation plans. Effective January 1, 2006, the Company began accounting for compensation expenses related to stock options granted to employees and non-employee directors under the recognition and measurement principles of

Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" using the modified prospective application method.

New Accounting Pronouncements - The Financial Accounting Standards Board ("the FASB") issued Statement of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), which was effective for the Company as of January 1, 2008. Under the provisions of SFAS No. 159, entities may choose, but are not required, to measure many financial instruments and certain other items at their fair values, with changes in the fair values of those instruments reported in earnings. The Company has not elected to value any financial assets or liabilities under SFAS No. 159. Therefore, the adoption of SFAS No. 159 had no effect on the Company's financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 is effective for years beginning after December 31, 2008, and is to be applied prospectively with retrospective presentation and disclosure requirements for comparative financial statements. Early adoption is prohibited. SFAS No. 160 seeks to improve the relevance, comparability and transparency of financial information that a reporting entity provides in its consolidated financial statements by separately identifying and reporting several financial statement components into amounts that are attributable to the reporting entity or that are attributable to noncontrolling interests. SFAS No. 160 also specifies the conditions under which an entity is required to deconsolidate its interest in a subsidiary. The Company currently has no consolidated subsidiaries that are not wholly owned nor are any transactions contemplated that would result in such a condition. Therefore, it is expected that the adoption of SFAS No. 160 in January 2009 will have no effect on the Company's consolidated financial statements.

Fair Value Measurements - The Company implemented Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," ("SFAS No. 157") as required on January 1, 2008. SFAS No. 157 defines fair value 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, and establishes a framework for measuring fair value. It also establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, eliminates the consideration of large position discounts for financial instruments quoted in active markets, requires consideration of the Company's creditworthiness when valuing its liabilities, and expands disclosures about instruments measured at fair value. The following is a summary of the measurement attributes applicable to financial assets and liabilities that are measured at fair value on a recurring basis:

		Fair Value Measurement at Reporting Date Usin		
Description	March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signifi Unobserv Input (Level
		(Dollars in thousands)		
Securities available-for-sale		$ -	$ 107,635	$

Pricing for the Company's securities available-for-sale is 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. The techniques used after adoption of SFAS No. 157 are consistent with the methods used previously.

In February 2008, the Financial Accounting Standards Board Staff issued FASB Staff Position No. FAS 157-2 ("FSP 157-2") which delays for one year the effective date of the application of Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("SFAS No. 157") to nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). In accordance with FSP 157-2, the Company has only partially applied SFAS No. 157. There are currently no major categories of assets or liabilities disclosed at fair value in the financial statements for which the Company has not applied the provisions of SFAS No. 157.

No cumulative effect adjustments were required upon initial application of SFAS No. 157. Available-for-sale securities continue to be measured at fair value with unrealized gains and losses recorded in other comprehensive income.

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 forwarding-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," "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:

- future economic and business conditions;
- lack of sustained growth in the economies of the Company's market areas;
- government monetary and fiscal policies;
- 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;
- 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;
- credit risks;
- the failure of assumptions underlying the establishment of the allowance for loan losses and other estimates, including the value of collateral securing loans;
- 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;

- changes in laws and regulations, including tax, banking and securities laws and regulations;
- changes in accounting policies, rules and practices;
- changes in technology or products may be more difficult or costly, or less effective, than anticipated;
- the effects of war or other conflicts, acts of terrorism or other catastrophic events that may affect general economic conditions and economic confidence; and
- 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. The Company has no obligation, and does not undertake, to update, revise or correct any of the forward-looking statements after the date of this report. The Company has expressed its expectations, beliefs and projections in good faith and believes 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

Changes in Financial Condition

During the first three months of 2008, interest bearing deposits increased by $21,024,000, or 6.7%. Certificates of deposit issued in denominations of $100,000 or more grew by $10,855,000, or 11.2% during the period, primarily due to activity generated by local government bodies. These funds were used primarily to fund growth in securities available-for-sale. Loan

growth was funded primarily by increases in non-governmental deposits. The Company believes its higher federal funds sold position gives it increased flexibility to fund loan requests or make investments in securities at attractive yields, and to meet normal demands for deposit withdrawals by its customers, while maintaining its exposure to future interest rate changes at an acceptable level.

Results of Operations

The Company recorded consolidated net income of $960,000 or $.29 per share for the first quarter of 2008 compared with $957,000, or $.31 per share for the first quarter of 2007. Net income per share, assuming dilution was $.27 for the 2008 period and $.29 for the 2007 period. Net income per share amounts for 2007 have been retroactively adjusted to reflect a five percent stock dividend effective December 20, 2007.

			Summary Income S
			(Dollars in tho
For the Three Months Ended March 31,	2008	2007	Dol
Interest income	$6,356	$5,661	
Interest expense	3,588	3,199	

Net interest income	2,768	2,462
Provision for loan losses	130	-
Noninterest income	609	486
Noninterest expenses	1,887	1,534
Income tax expense	400	457
Net income	$ 960	$ 957

Net Interest Income

Net interest income is the principal source of the Company's earnings. For the first quarter of 2008, net interest income totaled $2,768,000, an increase of $306,000 or 12.4% over the amount for the same period of 2007. The yield on interest earning assets decreased to 6.26% for the 2008 period, compared with 6.39% for the 2007 period and the average rates paid for interest bearing liabilities were 4.09% and 4.34%, respectively. Accordingly, the average interest rate spread for the 2008 period was 12 basis points higher than for the 2007 period. Net yield on earning assets decreased, however, in the 2008 period to 2.73% from 2.78% for the 2007 period because interest bearing liabilities grew at a higher rate than earning assets.

Average loans in the 2008 period were $250,255,000, an increase of $42,257,000, or 20.3%, over the amount for the same period of 2007. The higher loan volume was primarily responsible for the increase in interest income. Likewise, higher average amounts of time deposits were responsible for the higher interest expense in 2008.

During the three months ended March 31, 2008, the Federal Reserve Board reduced its federal funds target and discount window borrowing rates precipitously. In addition to lowering those interest rates, the Federal Reserve Board also prevented the collapse of a major brokerage firm by facilitating its acquisition by a multinational bank, opened its discount window to non-bank financial institutions, and initiated a program whereby it lends US Treasury securities and accepts other lesser-quality securities as collateral. All of these measures were undertaken in an effort to overcome the illiquidity of certain securities and to ensure that credit is available for new investments.

In response to the actions of the Federal Reserve Board, overall market interest rates declined during the first quarter of 2008. The Company lowered the rates offered for deposits and lower rates were accepted on investment securities purchased during the period and on loans originated during the period. In addition, many of the Company's pre-existing loans are variable rate loans with interest rates indexed to the prime rate. Changes in the prime rate occur almost simultaneously with changes made by the Federal Reserve Board.

Average Balances, Yields and Rat

Three Months Ended March 31,

	2008		
	Interest		
Average	Income/	Yields/	Average

	Balances	Expense	Rates (1)	Balances
			(Dollars in thousand	
Assets				
Interest-bearing deposits due from banks	$ 415	$ 2	1.94%	$ 65
Securities				
Taxable	88,070	1,017	4.64%	88,406
Tax exempt (2)	20,613	206	4.02%	19,692
Total investment securities	108,683	1,223	4.53%	108,098
Other investments	846	13	6.18%	980
Federal funds sold	48,050	386	3.23%	42,231
Loans (2) (3)	250,255	4,732	7.61%	207,998
Total interest earning assets	408,249	6,356	6.26%	359,372
Cash and due from banks	8,250			7,684
Allowance for loan losses	(2,581)			(2,228)
Unrealized securities gains (losses)	778			(1,216)
Premises and equipment	8,842			7,907
Other assets	12,196			3,788
Total assets	$ 435,734			$ 375,307
Liabilities and shareholders' equity				
Interest bearing deposits				
Interest bearing transaction accounts ..	$ 59,745	$ 335	2.26%	$ 55,233
Savings	42,225	209	1.99%	40,297
Time deposits $100M and over	103,047	1,153	4.50%	80,238
Other time deposits	143,297	1,852	5.20%	117,466
Total interest bearing deposits	348,314	3,549	4.10%	293,234
Short-term borrowings	-	-	0.00%	50
Long-term debt	4,500	39	3.49%	5,500
Total interest bearing liabilities	352,814	3,588	4.09%	298,784
Noninterest bearing demand deposits	39,777			39,691
Other liabilities	4,327			3,178
Shareholders' equity	38,816			33,654
Total liabilities and shareholders' equity	$ 435,734			$ 375,307
Interest rate spread			2.17%	
Net interest income and net yield on earning assets		$ 2,768	2.73%	
Interest free funds supporting earning assets	$ 55,435			$ 60,588

(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. The amounts of such loans and income are not material.

The Company continues to pursue strategies that are expected to increase its market share in its local market areas in Anderson and Oconee Counties of South Carolina. The Company serves Oconee County from four offices which are located in Seneca, Walhalla and Westminster. The Company serves the Anderson County market from offices in Anderson and Williamston.

Provision and Allowance for Loan Losses

The Company provided $130,000 for loan losses in the first quarter of 2008. No provision for loan losses was made during the 2007 first quarter. As of March 31, 2008, the allowance for loan losses was 1.03% of loans compared with 1.05% of loans at December 31, 2007. During the 2008 three month period, net charge-offs totaled $106,000, compared with $45,000 in net charge offs during the same period of 2007. As of March 31, 2008, nonaccrual loans totaled $444,000 and there were no loans 90 days or more past due and still accruing interest. As of March 31, 2007, there was $193,000 in nonaccrual loans and 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 Ended March 31, 2008
	(Do
Allowance at beginning of period	$ 2,574
Provision for loan losses	130
Net charge-offs	(106)
Allowance at end of period	$ 2,598
Allowance as a percentage of loans outstanding at period end	1.03%
Loans at end of period	$ 251,891

Non-Performing and Potential Problem Loans

	Non-accrual Loans	90 Days or More Past Due and Still Accruing	Total Non-Performing Loans	Percenta of Tota Loans
			(Dollars in thousands)	
January 1, 2007	$ 50	$ -	$ 50	0.02
Net change	143	-	143	

March 31, 2007	193	-	193	0.09
Net change	219	-	219	
June 30, 2007	412	-	412	0.18
Net change	14	-	14	
September 30, 2007	426	-	426	0.18
Net change	199	-	199	
December 31, 2007	625	-	625	0.26
Net change	(181)	-	(181)	
March 31, 2008	$ 444	$ -	$ 444	0.18

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, 2008, approximately 81.7% of the dollar amount of potential problem loans was secured by real estate, 13.7% was secured by vehicles and other collateral, and approximately 4.6% represented unsecured loans.

Management believes that the economies of its market areas are strong. However, continuing increases in prices for fuel and food, declining values of homes and other real properties, declining demand for products manufactured locally, and other events could have an adverse effect on those areas and potentially lead to a deterioration of the abilities of the Company's loan customers to repay their debts, resulting in higher loan losses.

Noninterest Income

Noninterest income totaled $609,000 for the first quarter of 2008, compared with $486,000 for the first quarter of 2007. Service charges on deposit accounts in the 2008 period were $360,000 representing an increase of $26,000 over the prior year period. ATM interchange and other fees for the 2008 period increased by $24,000 over the 2007 amount. Increases in the cash surrender value of bank-owned life insurance assets totaled $93,000 in the 2008 period. There was no such activity in the same 2007 period.

Noninterest Expenses

Noninterest expenses totaled $1,887,000 for the first quarter of 2008, compared with $1,534,000 for the first quarter of 2007, representing an increase of $353,000 or 23.0%. Salaries and employee benefits increased by $226,000, or 27.9%, to $1,037,000. Amounts accrued in recognition of certain deferred compensation and other benefits totaled $139,000 in the 2008 period; no such expenses were recorded in the same 2007 period. Normal increases in employees' salaries and the opening of the new Highway 81 office in the fourth quarter of 2007 also contributed to the higher amounts of salaries and benefits.

Occupancy and furniture and equipment expenses for the first quarter of 2008 increased by $39,000 compared with the 2007 period, primarily due to the opening of the Company's new Highway 81, Anderson, office in the fourth quarter of 2007.

Income tax expense for the first quarter of 2008 decreased by $57,000 from the amount of the same period of 2007 due to lower net income before income taxes and higher amounts of tax-exempt investment income.

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. The Company manages both assets and liabilities to achieve appropriate levels of liquidity. Cash and short-term investments are the Company's 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 is the Company's principal source of secondary asset liquidity. However, the availability of this source is influenced by market conditions. Individual and commercial deposits are the Company's primary source of funds for credit activities. The Company also has significant amounts of credit availability under its FHLB lines of credit and federal funds purchased facilities.

As of March 31, 2008, the ratio of loans to total deposits was 67.2%, compared with 68.6% as of December 31, 2007. Total deposits as of March 31, 2008 were $375,069,000, an increase of $19,202,000 or 5.4% over the amount as of December 31, 2007. Management believes that the Company's liquidity sources are adequate to meet its operating needs.

Capital Resources

The Company's capital base increased by $1,748,000 since December 31, 2007 as the result of net income of $960,000 for the first three months of 2008, plus a $608,000 change in unrealized gains and losses on available-for-sale securities, net of deferred income tax effects, and $180,000 from the exercise of employee stock options.

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, 2008 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 Capital	Leverage
Community First Bancorporation	13.8%	14.7%	9.0%
Community First Bank	13.1%	14.0%	8.6%
Minimum "well-capitalized" requirement	6.0%	10.0%	6.0%
Minimum requirement	4.0%	8.0%	5.0%

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.

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

	March 31, 2008 (Dollars in thousands)
Loan commitments	$ 32,867
Standby letters of credit	1,064

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, 2008.

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.

Item 3. - Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

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.

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

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 13, 2008	/s/ Frederick D. Shepherd, Jr.
Date	Frederick D. Shepherd, Jr., Chief Executive Officer and Chief Financial Officer

EXHIBIT INDEX

31. Rule 13a-14(a)/15d-14(a) Certifications

32. Certifications Pursuant to 18 U.S.C. Section 1350