

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

ColoEast Bankshares, Inc.
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Person to be contacted regarding this report:	Steve Sherlock	RSSD: (For Bank Holding Companies)	2146359
UST Sequence Number:	523	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	10,000,000	FDIC Certificate Number: (For Depository Institutions)	3027
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	N/A	City:	Lamar
Date Repaid <sup>1</sup> :	N/A	State:	Colorado

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	2010 CPP funds provided a cushion of capital against the recessionary economy in Colorado. Loan volume declined from \$530 million in 3-10 to \$514 million by 3-11. Decreased earnings coupled with loan losses placed a strain on Capital . CPP reduced this strain and provides for loan growth.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Loans did not increase in 2010 over 2009. CPP funds were used to absorb losses experienced in commercial real estate. We thus remain poised for small business recovery and growth with adequate capital to meet the demand.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The CPP funds made it possible for Colorado East to purchase some additional Municipal Securities primarily school bonds.

<input type="checkbox"/> Make other investments	No other investments were made in 2010.
<input type="checkbox"/> Increase reserves for non-performing assets	The bank contributed an additional \$2.5 million to our loan loss reserve in 2010 due to the strength in capital gained from the injection of the CPP funds.
<input type="checkbox"/> Reduce borrowings	No additional borrowings were necessary due to the capital strength gained with the CPP funding.
<input type="checkbox"/> Increase charge-offs	The addition of CPP funding improved Capital allowing the bank to divert earnings to meet an increase in charge off's in 2010 while maintaining capital at regulatory standards.
<input type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	While no bank mergers within our footprint presented itself in 2010, we are positioned to bid on local failed bank's loan pools during 2011.
<input type="checkbox"/> Held as non-leveraged increase to total capital	The large percentage of CPP funds continue to be held as non-leveraged capital positioning ourselves for an increase in loan demand either through the purchase of local failed bank loan pools or improved economic conditions.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

As in our 2009 report, the principle action we avoided was a greater need of additional capital. We were able to sell approximately \$1.25 million in a new stock offering in 2010 however, it continues to remain difficult in obtaining new capital for a privately held non publicly traded bank. Part is a lack of qualified investors and part is the unknown timing of an economic recovery. CPP funding has helped tremendously bridging this gap.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

As noted above, the primary action without CPP capital infusion would have been our reluctance and possible inability to fund to the fullest extent our Loan Loss Reserve covering impaired loans. We are able to meet quarterly funding needs for impaired loans and maintain a reserve commensurate with FASB 5 & 114. We also have been able to maintain capital strength ready to take advantage of less fortunate banks who might fail or otherwise be unable to service their loan portfolios. We would have been unable to bid on these FDIC packages without this infusion of capital. We would also be much less able to meet our community's credit needs without these funds.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

There was most likely only a small chance that Colorado East Bank & Trust would have failed during this recession however our acceptance into the CPP Program has proven to be an excellent move for us. With CPP funding we have ensured continued capital strength with a lesser regard to earnings, the ability to meet existing small business loan needs when requested, address loan losses without hesitation and remain vigilant of economic opportunities that appear regarding potential mergers and future loan growth.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.