



CPP ANNUAL USE OF CAPITAL SURVEY - 2014

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Pinnacle Bank & Pinnacle Bank Holding Company, Inc.

Person to be contacted regarding this report:	Herbert W. Clark	RSSD: (For Bank Holding Companies)	0003458040
UST Sequence Number:	781	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,389,000	FDIC Certificate Number: (For Depository Institutions)	34908
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	March 6, 2009	City:	Orange City
Date Repaid ¹ :	N/A	State:	Florida

¹If 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 checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	
<input checked="" 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.).	Small business lending was somewhat increased up to the point the bank entered into a Consent Order restricting growth.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The bank's securities portfolio has continued to grow right through March 31, 2015. The securities portfolio growth was enabled by reductions in most categories of loans existing in March of 2009.

<input checked="" type="checkbox"/>	Make other investments	Between March 2009 and December 31, 2013 the bank was forced (by necessity) to make significant provisions to the ALLR and ORE Expenses related to loans made (largely) prior to March 2009. Additionally, the bank wrote off significant expenses incurred in futile efforts to raise capital.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	There was a significant increase in charge-offs after March 2009. However, that came as a result of unexpected losses. CPP borrowings were not "intended" to offset charge-offs when borrowed.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

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

If not for the injection of capital into Pinnacle Bank as a result of the CPP program - the bank would likely have already failed.

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

Although not intentional the CPP infusion allowed the bank to survive much longer than it would have. While efforts to date have not proven fruitful we still have hopes that a solution to our near critical capital ratio can be found and implemented in time to save the bank. The BHC is effectively bankrupt.

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