



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Highlands Independent Bancshares, Inc.

Person to be contacted regarding this report:	R. Todd Foster
CPP Funds Received:	\$6,700,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	3/6/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2638014
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	26428
City:	Sebring
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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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.

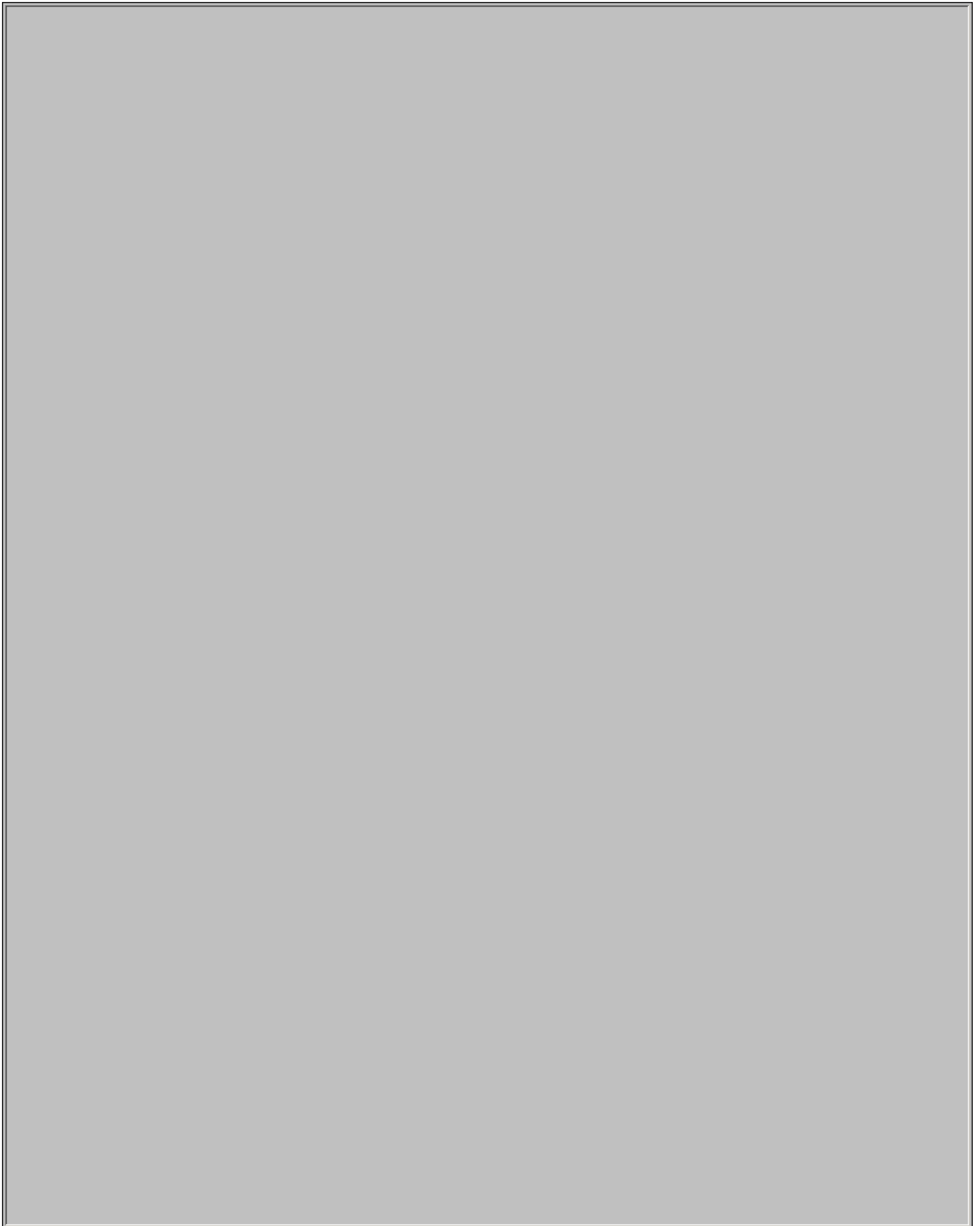
What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	
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<input type="checkbox"/>	<p>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.).</p>	
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>Upon initial receipt of the funds, we entered into a strategy to offset the cost of the funds. Upon obtaining additional funding through brokered deposits and FHLB borrowings to add to the TARP funds, we purchasing approximately \$26 million in MBS.</p>
<input type="checkbox"/>	<p>Make other investments</p>	
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>As we progressed through the year, it became more apparent that we would need to utilize the additional capital provided by the TARP to offset losses incurred from heavy contributions to our Loan Loss Reserve as we aggressively addressed our deteriorating loans.</p>

<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Coupled with our aggressive funding of our Loan Loss Reserve, we also utilized funding to recognize the losses in the bank's loan portfolio and the need to charge off uncollectable loans.
<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	

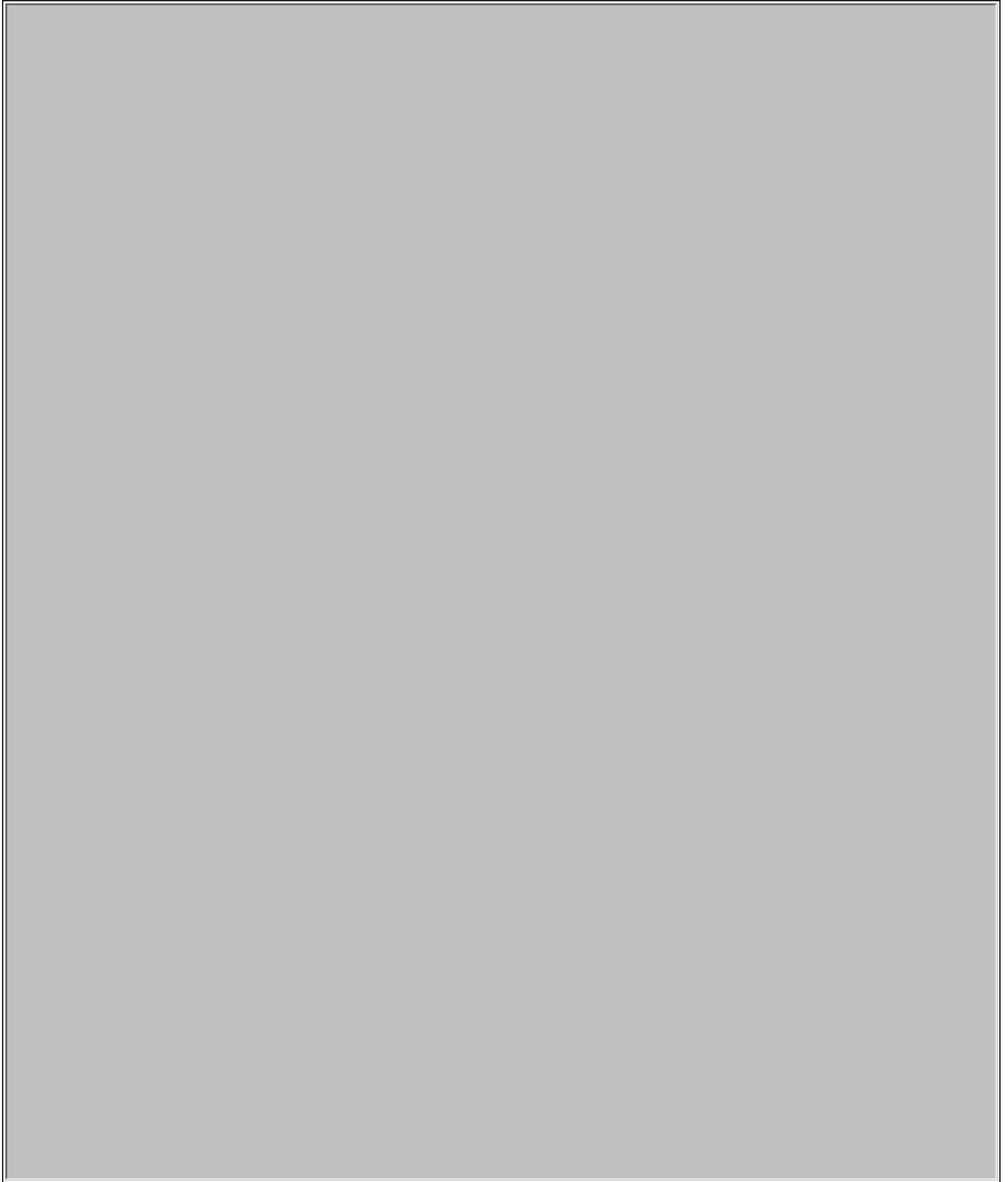
What actions were you able to avoid because of the capital infusion of CPP funds?

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

Again, we were able to more aggressively address the deterioration in the bank's loan portfolio because of the additional capital. Without this addition, the bank's capital ratios, while still above the Well Capitalized levels as defined by the Prompt Corrective regulations, would have been at less comfortable levels.

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



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.