



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Highlands State Bank

Person to be contacted regarding this report:	George E. Irwin	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	UST # 688	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Received:	5,450,000	FDIC Certificate Number: (For Depository Institutions)	58048
CPP Funds Repaid to Date:	0	City:	Vernon
Date Funded (first funding):	May 8, 2009	State:	New Jersey
Date Repaid <sup>1</sup> :	N/A		

<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). 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 checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Gross loans outstanding increased 12.7%
<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.).	C & I loans increased 45.6% Residential mortgage loans increased 26.8% Consumer loans decreased 1.46% Commercial real estate loans increased 10.2%
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Securities owned remained flat during the period

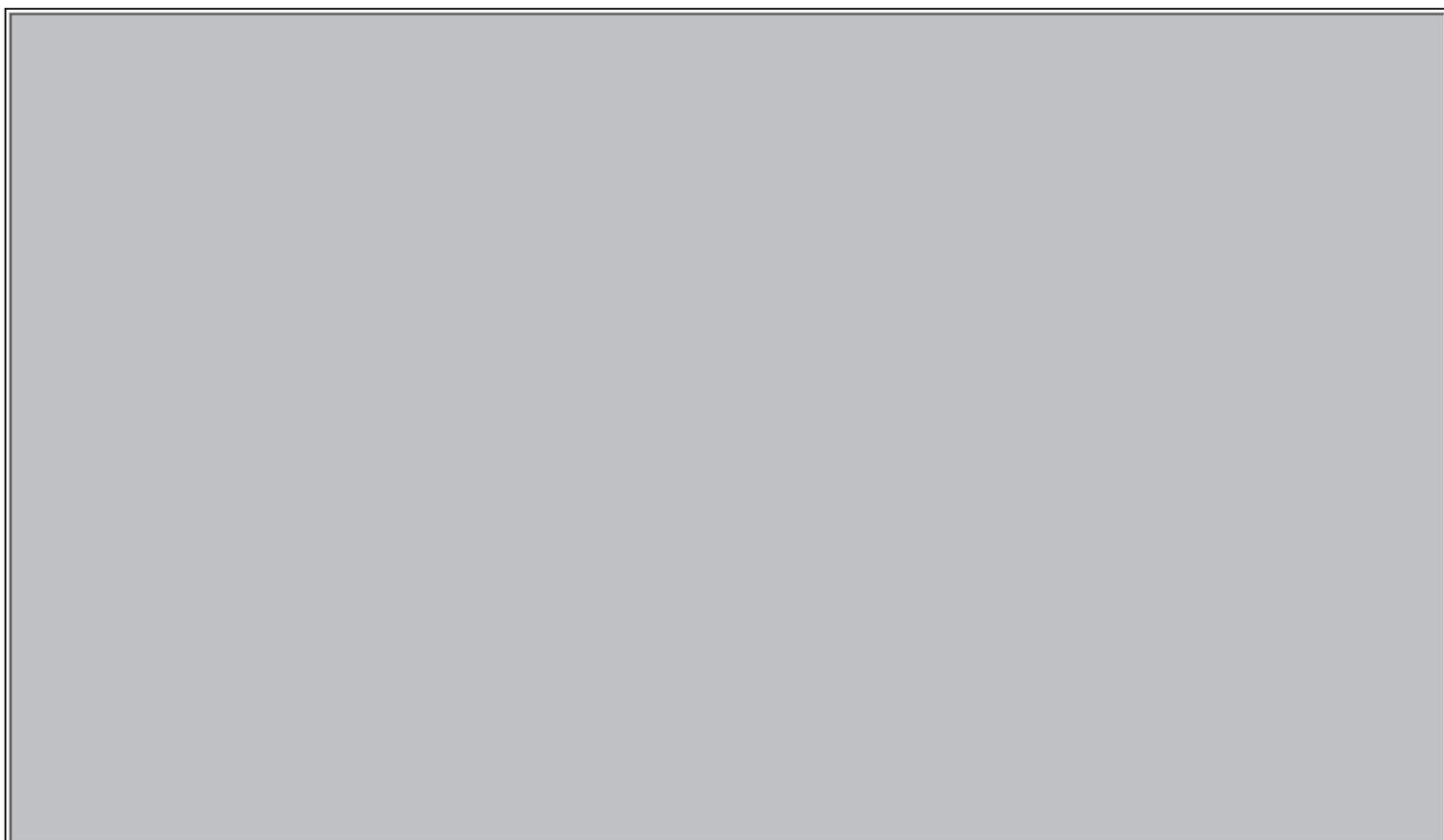
<input checked="" type="checkbox"/>	Make other investments	Short term investments in FDIC insured certificates of deposit in other banks increased \$26million
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Provision for loan losses increased \$1.7million
<input checked="" type="checkbox"/>	Reduce borrowings	Borrowings were reduced \$2million
<input checked="" type="checkbox"/>	Increase charge-offs	Charge-offs increased \$1.8million
<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?

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



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



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