

March 4, 2009

BANKING
INSURANCE
MORTGAGE
INVESTMENTS
TRUST

Mr. Neil M. Barofsky
Special Inspector General – TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, D. C. 20220

Dear Mr. Barofsky:

This letter is in response to your request for information dated February 6, 2009, concerning the use of TARP funds received and compliance with the EESA's compensation requirements by Cadence Financial Corporation.

When we applied for and received the TARP funds on January 9, 2009, our anticipated use of these funds, as we have disclosed in the attached press releases (Exhibit A) and other public communications filed of record with the SEC, was to increase our book and risk based capital so that the funds could be leveraged into future loan growth. The TARP funds were received and segregated into four separate accounts with correspondent banks so that we could track their future use. The TARP funds are maintained separate institutional accounts. The TARP funds have not yet facilitated any significant loan growth given the decreased loan demand described below. Without the TARP funds, our ability to respond to anticipated loan demand when the economy and markets recover from the current recession would be limited.

Even though we would like to leverage these funds into loans, we are seeing very little loan demand in our markets. In other words, there are not many customers asking for loans that meet our current underwriting standards. Actually, from the date we received the TARP funds to the date of the letter, our consolidated loan balance has remained relatively constant. Based upon the state of the economy and depressed real estate market in our market areas, it is very uncertain whether loan demand will increase in the near future. It is our hope that with greater consumer and business confidence in our markets, loan demand will increase; however, the timing of such increase is uncertain.

As a result of the lack of current loan demand, we planned to leverage the TARP capital approximately four to five times, chiefly in the investment portfolio in short-term, low risk securities. This strategy was presented to and approved by the ALCO committee of the Board of Directors. It was designed to allow the bank to cover the cost of this capital

in the short term while providing maximum flexibility to reallocate the funds to loan production as prudent lending opportunities arise. At this time, we have not implemented this strategy

b(4)
b(8)

Prior to applying for the TARP, we had our attorney review our compensation plans and employment agreements to see if we were in compliance with the original executive compensation requirements associated with TARP. At that time, we had no issues in our compensation plans or employment agreements that required any change to be made, based on these original requirements, to be in compliance with the Department of Treasury guidelines. Additionally, executive compensation waivers were signed to provide additional assurances of compliance in connection with the receipt of the TARP funds. With the recent signing of the American Recovery and Reinvestment Act of 2009, additional restrictions were placed on TARP recipients, on a retroactive basis, concerning unnecessary and excessive risks, clawbacks, incentives and bonuses and so called "golden parachutes" to senior executives and certain other officers. Cadence intends to comply with such requirements in the law based on advice of counsel and future guidance from the U.S. Treasury when issued. As described in the letter from the American Bankers Association dated February 9, 2008 (Exhibit B), there are a number of uncertainties contained in the law that hopefully will be addressed soon by the U. S. Treasury.

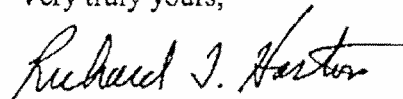
As you requested, we will segregate and preserve all documents referencing the use or anticipated use of the TARP funds, including emails, budgets and memoranda regarding the TARP funds. We have informed our senior management of this requirement and will comply with your request.

We have attached our press releases regarding the TARP funds and will provide upon request any further documents you may require.

With my signature below, I hereby certify, as Executive Vice President and Chief Financial Officer, the accuracy of statements, representations and supporting information made or provided herein.

I hope this provides the information that you need. If you have any additional questions, please call me at (662) 324-4258.

Very truly yours,



Richard T. Haston
Executive Vice President and
Chief Financial Officer