

Robert M. Rogers
President & COO
Peapack-Gladstone Bank
158 Route 206
Gladstone, NJ 07934

March 4, 2009

Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., NW, Suite 1064
Washington, DC 20220

Dear Sirs:

I am writing in response to your letter dated February 6, 2009 requesting information regarding Peapack-Gladstone Financial Corporation's use of funds and compliance with executive compensation requirements under the TARP Program.

Prior to the receipt of TARP funds, Peapack-Gladstone Financial Corporation recognized Other Than Temporary Impairment ("OTTI") related primarily to pooled trust preferred securities in the amount of \$36.5 million after tax. While PGFC remained well capitalized after the impairment, the write-down magnified the importance of the TARP capital and its impact on the Institutions ability to continue to provide loans.

Use of TARP Funds

Peapack-Gladstone Financial Corporation received TARP funds from the U.S. Treasury on January 9, 2009. TARP funds are not segregated from other institutional funds. Our stated goal at the time we applied for the TARP Program was to provide loans in our market. Between 1/9/2009 and 2/28/2009 Peapack-Gladstone Bank, a subsidiary of Peapack-Gladstone Financial Corporation, generated new loans as follows:

Residential Mortgage Loans	\$ 8,073,878
Home Equity and Installment Loans	\$ 3,389,050
Commercial Term Loans	\$ 1,806,085
Commercial Lines of Credit	<u>\$ 8,695,000</u>
Total Loans	\$21,964,013
MBS FNMA	\$ 1,451,298

Since receiving the TARP funds, we conducted a number of strategic planning meetings to identify lending opportunities in the current economic environment (b) (4)

[REDACTED] In the past month, we have taken the following steps to position the Bank to provide more credit to those segments:

- (b) (4) [REDACTED]
 - Implemented newspaper advertising campaign
 - Implemented E-mail advertising campaign
 - Sent updated flyers on Affordable Mortgage Program to organizations serving low and moderate income families

- (b) (4) [REDACTED]
 - Expanded Small Business Banking Package to All Branches
 - Bank officers conducted small business door to door calling campaign in four different markets
 - Bank loan officers participated with Centenary College in “Building and Financing Your Business” seminar

- (b) (4) [REDACTED]
 - Lowered interest rate floor on home equity line of credit from 4 ½% to 4%
 - Developed Home Equity Line of Credit Usage Program

As you can see, we are aggressively trying to grow the loan portfolio. Our goal remains to use the remaining TARP funds for lending.

However, during this very challenging economic time, we find that customers are being very careful about expanding their businesses. In addition, new and pre-owned home sales are down. As a result, loan demand is down. We would like to make more loans to qualified buyers but there is modest demand for credit right now. As soon as people feel the economy is beginning to turn around loan demand will return.

Executive Compensation

Peapack-Gladstone Financial Corporation has taken the following steps to ensure compliance with the Executive Compensation restrictions contained in the TARP Program:

- The Compensation Committee of the Board of Directors (comprised entirely of independent directors) and the Director of Human Resources were made aware of the restrictions contained in the TARP Program
- The Compensation Committee of the Board of Directors and the Director of Human Resources were made aware of the additional executive compensation restrictions added by Senator Dodd in the Economic Stimulus Package

- Executive Compensation will be reviewed at least twice a year by the Compensation Committee of the Board to insure it excludes incentives for senior officers to take unnecessary and excessive risks
- Executive Officers have executed agreements containing the following restrictions:
 - No Golden Parachute Payments
 - Recovery of bonus and incentive compensation based on materially inaccurate financial statements
 - Requirement that Company review compensation to ensure it does not encourage executives to take unnecessary and excessive risks
- (b) (4) [REDACTED] we recognize we would be unable to deduct amounts in excess of \$500,00 for tax purposes
- Outside attorneys are reviewing the final language contained in the Economic Stimulus Package related to executive compensation. The Corporation will take any actions necessary to comply with those terms
- The Chief Executive Officer and Chief Financial Officer will provide a written certification of compliance with the standards
- The Corporation already has in place a company wide policy regarding excessive or luxury expenditures. It will be modified, if necessary, to comply with the requirements of the Secretary of the Treasury
- The Corporation's Proxy contains a separate non-binding shareholder vote to approve executive compensation
- The Corporation and its senior executives have executed waivers releasing Treasury from any claims they might otherwise have as a result of these actions

To date, the Corporation has not offset compensation limitations by other changes to long term or deferred forms of executive compensation.

Sincerely,

Robert M. Rogers
 President & COO
 Peapack-Gladstone Bank

I, Robert Rogers, certify that: I have reviewed this response and, based on my knowledge, this response does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, misleading.
