Seaside
National Bank & Trust

February 19, 2009

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

Dear Mr. Barofsky:

We received your letter dated February 6, 2009 requesting a response outlining our plans for the TARP capital funds we received. As you are aware we received $5,677,000 of funds under the TARP's Capital Purchase Program for non-public banks on January 23rd of this year. We are a de-novo bank in our 28th month of operations. [redacted] We capitalized the bank with over $54 million of start-up capital and [redacted]

Thus far, we have accomplished our objectives contained in the original business plan. We have grown to approximately $410 million of assets as of yesterday and have 135 employees in 13 offices across the State of Florida. Our loan and deposit growth have been robust. Even though these are difficult economic times, our loan portfolio remains extremely clean as we have only one loan relationship that is non-performing. We have a good reputation in the market and our momentum is ever growing. We also have a strong working relationship with our regulators at the OCC. Capital is our greatest concern as we need it to continue our growth and for possible further expansion.

[redacted] We did a second offering last year and raised about $5.4 million; however, this was less than we had hoped for. Retail investors and most institutional investors have stopped investing in banks during these challenging times. Given the market conditions, we promptly applied for TARP capital while still planning to raise additional capital if and when the markets improve. The $5.7 million of TARP capital, which will allow us to leverage and grow approximately $70 million, has helped us continue our growth. We have continued our prudent lending and have hired new employees since we received the TARP capital last month and have also purchased several agency-backed mortgage-backed securities issued through the recently announced Federal Housing Authority's Secure Program. This program assists borrowers who could not afford their new payments after their teaser-rate loans reset by allowing the borrower to refinance through the FHA-backed loan.

Our use of the funds is to continue to execute on our business plan. We have not constrained our lending or exited any customers. Our underwriting standards have always been conservative and there are still plenty of good borrowers in the market looking for banks to lend to them. We did not formally segregate the TARP funds, but have used them in our daily operations of funding loans and purchasing securities. In reality, $5.7 million can fund one loan if we wanted to designate it as such, or as I stated we will leverage the new capital and lend up to $70 million more to qualified borrowers.

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Regarding Executive Compensation, the new rules do not affect us. [redacted] Our Compensation Committee did hold a meeting to review all the rules and requirements of TARP and reviewed all of our compensation arrangements. Management is not incented to take undue risks and the Bank has policies and procedures in place to adequately monitor risk. The Compensation Committee as well senior management believes we meet all the compensation requirements of TARP.

We hope this addresses all of your concerns. Please let us know if you need any additional information or contact us with any questions or concerns. Our information is below. Thank you.

Sincerely,

Gideon Haymaker,
President & Chief Executive Officer
Seaside National Bank & Trust
[redacted]

Barry Griffiths,
SVP & Chief Financial Officer
Seaside National Bank & Trust
[redacted]

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