

February 23, 2009

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

Dear Mr. Barofsky:

Please accept this letter as our response to your correspondence, dated February 6, 2009, in which you requested certain information concerning Central Jersey Bancorp's intentions and utilization of funds received ("TARP" or "Tier I Capital") pursuant to the sale of Preferred Stock and Warrants to the United States Department of Treasury via its Troubled Asset Relief Capital Purchase Program (the "Program"). As you are aware, Central Jersey Bancorp received, on December 23, 2008, a total of \$11.3 million from the Program. It should be noted that the entirety of Tier I Capital received was immediately downstreamed to Central Jersey Bancorp's wholly-owned subsidiary, Central Jersey Bank, N.A., a nationally chartered banking entity. We believe that said transaction has relevance because providing funds exclusively to the "market lender" is consistent with the spirit of the Program.

Our response to your inquiry has been structured to be consistent to the inquiry itself as each of the issues addressed will correspond to the specifics requested. In order to adequately and appropriately respond to the "use of funds," we believe it is important to understand the rationale for our initial application. Central Jersey Bank, N.A. is a \$600 million commercial banking entity that operates thirteen branches in Monmouth and Ocean Counties, New Jersey. Central Jersey Bancorp and Central Jersey Bank, N.A. have, since inception, been considered well-capitalized by all regulatory measures. As a commercial banking entity, Central Jersey Bank, N.A.'s primary asset generation has been in the form of commercial loans to local businesses with a concentration in the commercial real estate sector. In fact, as of December 31, 2008, loans outstanding totaled \$360.7 million with commercial real estate loans comprising \$267.6 million, or 74.2% of the loan portfolio. There is and has been recognition by both management and the Board of Directors that the entire commercial real estate sector, while fairly strong through the first three quarters of 2008, would, prospectively, be subject to significant downward pressures as the result of the current economic environment. The magnitude of that market weakness is obviously dependent on a whole variety of factors, not the least of which is the duration of the now, firmly entrenched, recession. Central Jersey Bancorp decided to apply for the funds under the Program to ensure that Central Jersey Bank, N.A. continues to have ample capital and, therefore, lending capacity regardless of the magnitude and duration of the economic weakness apparent in the markets we serve.

Specific responses to the issues raised in your February 6, 2009 letter are as follows:



(1) (a) Anticipated use of the Funds.

b(4)

(1) (b) Whether the TARP Funds were Segregated from other Institutional Funds.

Upon receipt of the TARP proceeds, Central Jersey Bank, N.A. did not segregate those funds from other capital funds. We did not and do not believe that earmarking the specific funds is in the best interest of our shareholders and/or borrowing customers. Instead, by adding the TARP funds to our existing, already strong capital base, Central Jersey Bank, N.A. could effectively deliver on its mission of growing its balance sheet by providing retail and commercial depositors and borrowers in our market competitive financial products and services that foster appropriate, rational growth.

(1) (c) Use of TARP Funds to date.

Utilizing January 1, 2009, as a logical commencement measurement date (TARP funds received 12/23/08) and February 15, 2009 as the period ending date for investment quantification, Central Jersey Bank, N.A. has committed significant funds to the investment of mortgage backed securities (“MBS”) issued by the conservatorship enterprises, Fannie Mae (“FNMA”) and Freddie Mac (“FHLMC”). As stated previously, such investments, while carrying market rates of return with minimal credit risks, provide liquidity to assist in “thawing” the recently “frozen” secondary residential mortgage markets. From January 1, 2009 through February 15, 2009, Central Jersey Bank, N.A. purchased over \$83.0 million (face value) of MBS issued by FNMA and FHLMC. That total compares with approximately \$95.0 million of comparative securities purchased for the entirety of 2008.

There is full recognition that TARP funds are intended to help “jumpstart” economic activity by having financial institutions extend credit to businesses and consumers. Utilizing the same measurement period detailed above, Central Jersey Bank, N.A. has originated \$6.8 million (outstanding balance) of consumer and commercial credit accommodations. Interestingly, these loan originations, generated in a period of approximately 45 days, and assuming similar growth for the balance of the first quarter in 2009, is significantly lower than full quarterly production on a linked quarter basis. During the second, third and fourth quarters of 2008, Central Jersey Bank, N.A. generated outstanding credits of \$19.4 million, \$23.5 million and \$17.6 million, respectively. We are of the firm belief that the 2009 slowdown in loan originations (although the sample size is not ample to definitively conclude) is a function of sluggish credit demand and not



our unwillingness or inability to satisfy our constituents' credit requirements. By definition, a recession is a period of negative economic growth and; therefore, there has been a noticeable absence of credit demand in the markets we serve. Much of the recent loan growth that Central Jersey Bank, N.A. has experienced is a function of our ability to provide superior service to qualified borrowing entities who are presently unable to obtain continued "credit support" from their existing, and in many cases, larger financial institution. That market dynamic is a function of many factors including; local competitors jettisoning certain credit product lines, a refocus on market size, and the requirement of additional administrative impediments in obtaining or renewing credits.

Central Jersey Bank, N.A. has, from its inception, always been a mission driven organization. We understand our obligation to extend credit and are proud of our record of providing the necessary financial resources to fuel significant economic growth in both the commercial and consumer sectors. In addition, we are of the very strong opinion that considering the current economic environment, now is not the right time to loosen credit underwriting standards. To a major degree, we find ourselves in this deep recession specifically because credit was granted in an irresponsible and greedy fashion. While we will continue to aggressively meet and exceed our obligations to provide credit to our collective communities, we will not, in any manner, compromise our underwriting standards in order to accomplish that goal.

(1) (d) Expected Use of Unspent TARP Funds.

This issue has been fully addressed in (c) above. Please know that there have not been any affirmative actions taken that would have not been able to be effectuated absent the TARP funds. Central Jersey Bank, N.A. is a consistent and constant market participant. The receipt of TARP funds has certainly increased prospective balance sheet capacity, but did not result in any modification of strategic plans.

(2) Specific Plans for Addressing Executive Compensation Associated with Funding.

Prior to the December 23, 2008 closing on the sale of Preferred Stock and Warrants to the United States Department of Treasury, Central Jersey Bancorp and Central Jersey Bank, N.A. conducted a comprehensive analysis of all of the conditions/requirements/obligations that went along with acceptance of TARP funds. A major portion of that analysis was to ensure that our institution was fully compliant with executive compensation provisions promulgated under the Program. On December 19, 2008, each of the effected senior executives of Central Jersey Bancorp and Central Jersey Bank, N.A. entered into a letter agreement, the provisions of which fully address this matter. To that end, enclosed for your review is a copy of my personal executive compensation letter agreement (all agreements are identical). The agreements will be in full force and effect until such time as Central Jersey Bancorp is no longer a participant of the Program.

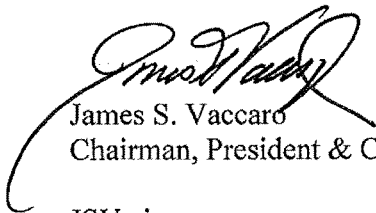


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Please know that we appreciate the opportunity to prepare this correspondence to the Office of the Special Inspector General. The information contained herein and references made are, to the best of my knowledge and ability, accurate. It is recognized that said representations are subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

After you have had the opportunity to review this letter, I would be pleased to discuss any aspect of same with you or the appropriate designee.

Regards,



James S. Vaccaro
Chairman, President & CEO

JSV:cj

Enclosures

cc: Central Jersey Bancorp Board of Directors

[REDACTED]

b(4)



December 19, 2008

James S. Vaccaro
Central Jersey Bancorp
1903 Highway 35
Oakhurst, New Jersey 07755

Dear Mr. Vaccaro:

As you know, Central Jersey Bancorp (the "Company") anticipates entering into a Securities Purchase Agreement (the "Participation Agreement") with the United States Department of Treasury ("Treasury") that provides, among other things, for the Company's participation in the Treasury's TARP Capital Purchase Program ("CPP"). In the event that the Company does not participate or ceases at any time to participate in the CPP, this letter agreement shall be of no further force or effect.

In order for the Company to participate in the CPP and as a condition to the closing of the investment contemplated by the Participation Agreement, the Company is required to establish specified standards for incentive compensation to its senior executive officers and to make changes to its compensation arrangements. To comply with these requirements, and in consideration of the benefits that you will receive as a result of the Company's participation in the CPP, you hereby agree as follows:

1. No Golden Parachute Payments. No golden parachute payments will be made by the Company to you during any "CPP Covered Period." A "CPP Covered Period" is any period during which (A) you are a senior executive officer of the Company, and (B) the Treasury holds an equity or debt position acquired from the Company in the CPP.
2. Recovery of Bonus and Incentive Compensation. Any bonus and/or incentive compensation paid to you during a CPP Covered Period is subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
3. Compensation Program Amendments. Each of the Company's compensation, bonus, incentive and other benefit plans, arrangements and agreements (including, but not limited to, golden parachute, severance and employment agreements) (collectively, "Benefit Plans") with respect to you is hereby amended (notwithstanding any contrary language within such Benefit Plans) to the extent necessary to give effect to provisions (1) and (2) above.

In addition, the Company is required to review its Benefit Plans to ensure that they do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company. To the extent that any such review requires revisions to any Benefit Plan with respect to you, you and the Company agree to negotiate such changes promptly and in good faith.

4. Definitions and Interpretation. This letter agreement shall be interpreted as follows:

“Senior executive officer” means the Company’s “senior executive officers” as defined in Section 111(b)(3) of EESA.

“Golden parachute payment” has the same meaning as in Section 111(b)(2)(C) of EESA.

“EESA” means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation that has been issued by the Department of Treasury and is in effect as of the “Closing Date,” as defined in the Participation Agreement.

The term “Company” includes any entities treated as a single employer with the Company under 31 C.F.R. § 30.1(b) (as in effect on the Closing Date). You are also delivering a waiver pursuant to the Participation Agreement, and, as between the Company and you, the term “employer” in that waiver will be deemed to mean the Company as used in this letter agreement.

The term “CPP Covered Period” shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. § 30.11 (as in effect on the Closing Date).


Provisions (1) and (2) of this letter agreement are intended to, and will be interpreted, administered and construed to comply with Section 111 of EESA and, to the maximum extent consistent with the preceding, to permit operation of the Benefit Plans in accordance with their terms before giving effect to this letter agreement.

5. Miscellaneous. To the extent not subject to federal law, this letter agreement will be governed by the laws of the State of New Jersey, without giving effect to the conflicts of laws provisions thereof. This letter agreement may be executed in two or more counterparts, each of which shall be deemed to be an original. A signature transmitted by facsimile will be deemed to be an original signature.


Please indicate your acceptance and agreement to the terms and conditions set forth in this letter agreement by countersigning same and returning a copy to the Company. The Board of Directors of the Company appreciates the concessions you are making and looks forward to your continued leadership.

Very truly yours,

Central Jersey Bancorp

By: 
Name: Robert S. Vuono
Title: Senior Executive Vice President,
Chief Operating Officer and
Secretary

Intending to be legally bound by the terms of this letter agreement, I hereby agree with, acknowledge the sufficiency of the consideration for, and accept the foregoing terms as of the date set forth below.


James S. Vaccaro
Dated: December 19, 2008