

UNITED STATES DEPARTMENT OF THE TREASURY  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

**August 31, 2010**

Ladies and Gentlemen:

Reference is made to that certain Letter Agreement incorporating the Securities Purchase Agreement -- Standard Terms dated as of **May 8, 2009** and the Securities Purchase Agreement -- Standard Terms dated as of **December 22, 2009** (collectively the "*Securities Purchase Agreement*") by and among the United States Department of the Treasury (the "*Investor*") and **Highlands State Bank** (the "*Company*"). Further reference is made to those certain Certificates of Amendment filed by the Company with the New Jersey Department of Banking and Insurance on **May 8, 2009 and December 18, 2009** with respect to the Preferred Stock and the Warrant Preferred Stock (the "*Company Certificates of Designations*"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Securities Purchase Agreement and the Company Certificates of Designations. The Investor and the Company desire to set forth herein certain additional agreements regarding a Holding Company Transaction between the Company and **Highlands Bancorp, Inc.** (the "*Acquiror*") on the date hereof.

In connection with the Company and the Acquiror's consummation of a Holding Company Transaction:

1. As of the date hereof, each of the Company and the Acquiror hereby represents that (A) each share of Designated Preferred Stock has been or will be converted into or exchanged for one share of Holding Company Preferred Stock, and (B) the Holding Company Preferred Stock conforms in all respects with the requirements of "Holding Company Preferred Stock" set forth in Section 7(c)(iv) of the Company Certificates of Designations.
2. On or before the date hereof, the Acquiror has duly adopted and duly filed with the Division of Revenue of **New Jersey** the amendments to its certificate or articles of incorporation, articles of association, or similar organizational document, in substantially the forms provided on the Investor's website, with respect to the Preferred Stock and the Warrant Preferred Stock (the "*Acquiror Certificates of Designations*") and such Acquiror Certificates of Designations have been accepted.

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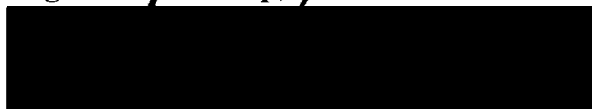
In witness whereof, this side letter agreement has been duly executed by the authorized representatives of the parties hereto as of the date first above written.

**Highlands State Bank** /



Name: George E. Irwin  
Title: President and CEO

**Highlands, Bancorp, Inc.** /



Name: George E. Irwin  
Title: President and CEO

**UNITED STATES DEPARTMENT OF  
THE TREASURY**

By: \_\_\_\_\_  
Name:  
Title: