



March 9, 2009

Mr. Neil Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue, N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

Please accept the following signature page and certification which has been executed by John. R. Garbarino, Chairman of OceanFirst Financial Corp., as a replacement of that executed by Executive Vice President Vito. R. Nardelli.

Thank you.

Sincerely,

(b) (6)

A large black rectangular redaction box covers the signature and name of the sender.



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Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue, N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

I am writing on behalf of OceanFirst Financial Corporation ("OceanFirst") to provide your Office with the necessary information to conduct its audit into our use of Troubled Asset Relief Program ("TARP") funds and compliance with the Emergency Economic Stabilization Act of 2008 ("EESA") executive compensation requirements.

OceanFirst applied for funds through the TARP - Capital Purchase Program ("CPP") to enhance liquidity, fortify capital, position OceanFirst Bank ("Bank") to continue and expand its lending operations in the community, and take advantage of potential strategic partnership opportunities which we believe will emerge for the Bank.

OceanFirst's CPP funds (\$38.3 million) were not segregated from other institutional funds and 50% of the Treasury investment was downstreamed from the parent holding company to bolster Bank capital. The funds are being supplemented with additional Federal Home Loan Bank ("FHLB") advances of approximately 1.4 times the CPP funds, and are in the process of being invested in a combination of government agency Mortgage Backed Securities ("MBS") (approximately \$58 million) and residential mortgage loans (approximately \$35 million) made by the Bank in the first quarter of 2009. Without the CPP funds, it is likely that no additional FHLB advances would have been taken, no MBS would have been purchased, and the residential mortgage loans originated in the quarter would have been sold in the secondary market. This initial investment is structured to put the funds to work quickly and ensure OceanFirst's ability to generate revenue to meet the quarterly cash dividend obligation to Treasury. (b) (4)

(b) (4)

Bank management has committed to report on the implementation of the CPP investment strategy on a quarterly basis to the Bank's Board of Directors while the funds remain outstanding.

From the very beginning of OceanFirst's consideration of participation in the CPP, concerns over the development of a viable exit strategy were discussed. OceanFirst viewed the capital infused by the CPP favorably, but nevertheless insisted on the development of an exit strategy to ensure that plans to repay the CPP funds to Treasury would be in place and ready to be implemented as soon as practicable.

Under the original Treasury rules, we believed that the most likely way for OceanFirst, and similar companies with modest stock market capitalizations, to achieve a capital raise of sufficient size to repay the Treasury would be associated with a growth in the value of the Company by maximizing opportunities. (b) (4)

(b) (4)

Regarding the Bank's plans and status for addressing the executive compensation requirements associated with the CPP funding, the OceanFirst Board of Directors has been continuously monitoring the changes in rules which have been made, and is currently awaiting the final Treasury rulemaking, as required under the American Recovery and Reinvestment Act of 2009 ("ARRA").

The Bank remains concerned over the more restrictive provisions of ARRA relating to executive compensation and their direct effect on the Bank's ability to attract and retain the management talent to develop and execute on the company's plans. The Bank has only one Senior Executive Officer ("SEO") with cash compensation in excess of \$500,000 and only two SEOs with total compensation exceeding \$500,000. Other than the consideration of substituting long-term restricted stock for cash bonus payments as discussed below, the Bank has no plans to change its compensation structure. The Bank's SEOs executed the stipulated waivers in conjunction with the CPP closing and the Bank will, of course, enforce the law as it pertains to golden parachute payments, cash bonuses to SEOs, clawback provisions on incentive compensation paid based upon materially inaccurate statements, and the monitoring and control of unnecessary or excessive risk. The Board will also be undertaking a review and amendment to its Travel and Entertainment Policy to control expenditures which could be viewed as excessive or luxury items. Lastly, the Bank is considering altering its compensation structure in accordance with ARRA, substituting long-term restricted stock grants to the SEOs in lieu of cash bonus payments under the Bank's pay for performance philosophy.

A significant portion of the Bank's incentive compensation goals focuses on components of net income that reward efficiencies and adherence to credit quality standards and operational controls. The long-term restricted stock grants under consideration include long-term vesting periods and encourages balanced risk taking and long-term value creation. Additionally, the Bank's control environment is sound and adequately mitigates the risk of SEOs taking excessive or unnecessary risks in order to meet short-term financial goals. On March 2, 2009, as required by Treasury regulations, the Bank's Human Resources Compensation Committee met with the Bank's Chief Risk Officer to review its Incentive Compensation Program for the purposes of determining whether it may encourage excessive or unnecessary risk-taking by the Bank's SEOs.

This review focused on risks to which the Bank is subject, the Bank's control environment, and the metrics used to measure the Bank's and its executives' success. It was concluded that the Bank's executive compensation program does not encourage CEOs to take excessive and unnecessary risks that could threaten the value of the franchise.

We believe these explanations of current and planned use of CPP funds and attendant issues are responsive to your audit inquiry. Should you require additional information, we are at your disposal.

Sincerely,

Handwritten signature of John R. Garbarino in cursive script.

John R. Garbarino
Chairman

I, John R. Garbarino, certify that: I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement 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, not misleading.

Sincerely,

Handwritten signature of John R. Garbarino in cursive script.

John R. Garbarino
Chairman
OceanFirst Financial Corporation