



Brian H. Kelley
Chief Executive Officer

March 13, 2009

VIA EMAIL AND REGULAR MAIL

Mr. Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
UNITED STATES DEPARTMENT OF THE TREASURY
1500 Pennsylvania Avenue, NW, Suite 1064
Washington, D.C. 20220
Email: SIGTARP.response@do.treas.gov

Re: Pacific Commerce Bank – UST Sequence Number 162
SIGTARP – Report on TARP funds

Dear Mr. Barofsky:

This letter shall respond to your request for information dated February 6, 2009 on the use and anticipated use of funds received by Pacific Commerce Bank, Los Angeles, California (the “Bank”) in the amount of \$4.06 million on December 23, 2008 in connection with the Bank’s participation in the Troubled Asset Relief Program – Capital Purchase Program (“TARP”) of the United States Department of the Treasury.

Founded in 2002, the Bank is a small community bank based in Los Angeles, California and focused on small business lending. As of December 31, 2008 the Bank had approximately \$187 million in assets. In many respects, the Bank is at ground zero of the economy, supporting new start-up enterprises (through our business lending and S.B.A. products) and meeting the needs of its many small business clients. Like many other fast growing community banks, the Bank generally must raise new capital every two years or so in order to maintain conservative capital levels and meet the demands of its growing base of business. With the literal seizing-up of the capital markets in 2008, the TARP program has played a key role in allowing the Bank to continue its growth and service to the community.

Use of TARP Preferred Stock Investment

The TARP funds received by the Bank were not segregated from other institutional funds and, therefore, as a practical matter, I cannot confirm whether the next loan the Bank makes will

be funded by the \$4 million in TARP funds, the approximately \$16 million of common equity the Bank holds, or the approximately \$167 million in other obligations that make up the Bank's balance sheet as of December 31, 2008. However, there is no question that the Bank is lending significantly more with the TARP preferred stock investment than the Bank would be without such investment.

After committing to accept the TARP preferred stock investment this past October, the Bank has significantly increased its fourth quarter lending, closing approximately \$11.5 million in new loans (an increase of approximately 300% over the preceding quarter). In fact, the increase in loan balances in the fourth quarter alone was nearly three times the amount of the TARP funds. In the month of December 2008, the Bank approved close to \$6.2 million in new loans, approximately one and one-half times the amount of the TARP funds. (b) (4)

Tentatively and based on unaudited financial information, at December 31, 2008, the Bank's capital ratios were strong, with Total Risk-Based Capital and Tangible Equity to Total Assets of 13.39% and 10.30%, respectively. (b) (4)

Without the TARP infusion to the Bank's capital this past December, it is likely that the Bank would have been reluctant to either fund its fourth quarter 2008 loan growth or (b) (4)

Executive Compensation

The Executive Committee of the Bank's Board of Directors reviews and assesses senior management performance and has historically linked past compensation and incentive decisions to the performance of the Bank, both in terms of profitability and an assessment of the Bank's overall risk profile. Risks in the Bank's loan portfolio are evaluated by the Bank's Loan Committee at least quarterly, which analysis impacts the Bank's loan loss reserves and profitability (b) (4)

In connection with the closing of the TARP transaction, the Bank and its senior executive officers have entered into written agreements pursuant to which the parties have agreed to make such modifications to compensation plans, arrangements and agreements affecting the Bank's senior executive officers to comply with the enhanced limitations on executive compensation as set forth in Treasury's guidelines, including but not limited to: (i) the limitations on golden parachute payments, and (ii) the recovery or "clawback" by the Bank of any bonus or incentive compensation to the extent such payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria. To the best of my



Mr. Neil M. Barofsky
Troubled Asset Relief Program
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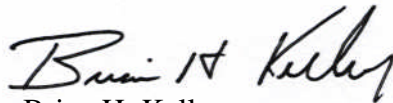
knowledge, the Bank's Board of Directors has not specifically considered whether to offset these limitations by changes to other, longer-term or deferred forms of executive compensation; however, no such changes have been implemented.

For your review, I am attaching a copy of our 2009 Budget (b) (4)

This letter and the 2009 Budget contain "forward-looking statements" regarding projections about the Bank's plans and objectives for the future, future economic performance, or other projections or estimates based on Bank management's assumptions, expectations, estimates and projections as of the date of this letter which may later prove to be inaccurate. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements.

The undersigned hereby certifies that the statements made herein and in any supporting documents provided herewith are true, complete, and correct to the best of my knowledge and belief.

Very truly yours,



Brian H. Kelley
President and Chief Executive Officer

cc: Thomas Iino
Chairman of the Board

(b) (6)
Horgan, Rosen, Beckham & Coren, L.L.P.

(b) (6)
Federal Reserve Bank of San Francisco

(b) (6)
California Department of Financial Institutions



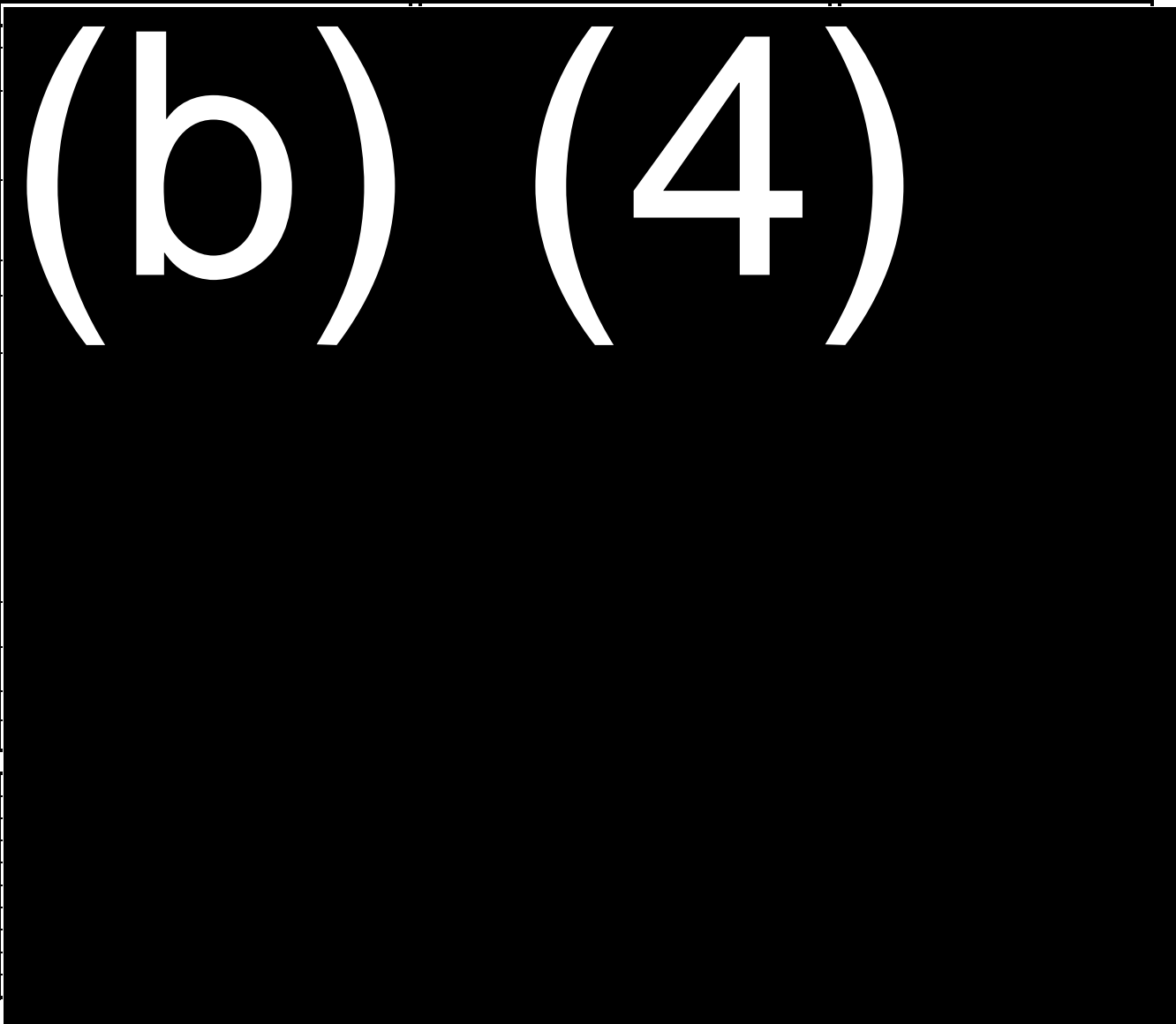
**PACIFIC COMMERCE BANK
BUDGET FOR 2009
Baseline**

	Actual
	2008
BALANCE SHEET	12/31/08
Assets	
Cash & Due From	5,463
Fed Funds Sold	10,704
Investments	14,824
Cash & Marketable Securities	30,991
Home Loans	16,116
Construction	11,990
CRE Loans	64,199
C&I Loans	48,988
SBA Loans	3,682
Consumer & Others	6,983
Gross Loans	151,957
Deferred Income	(322)
Loan Loss Provisions	(4,135)
Net Loans	147,500
Fixed Assets	516
Other Assets	8,195
Total Assets	187,202
Liabilities	
Demand Deposits	17,676
Passbook Savings	1,589
Money Market Account	58,664
Time deposits	43,994
CDARS/Brokered CD	26,079
Total Deposits	148,002
Borrowed Funds	19,000
Other Liabilities	917
Total Deposits & Liabilities	167,919
Shareholders' Equity	
Paid In Capital	20,555
Tarp - Preferred Stock	4,060
Surplus	486
Retained Earnings	(6,085)
Unrealized Gain/(Loss)	267
Total Shareholders' Equity	19,283
Total Liabilities & Shareholders' Equity	187,202

(b) (4)

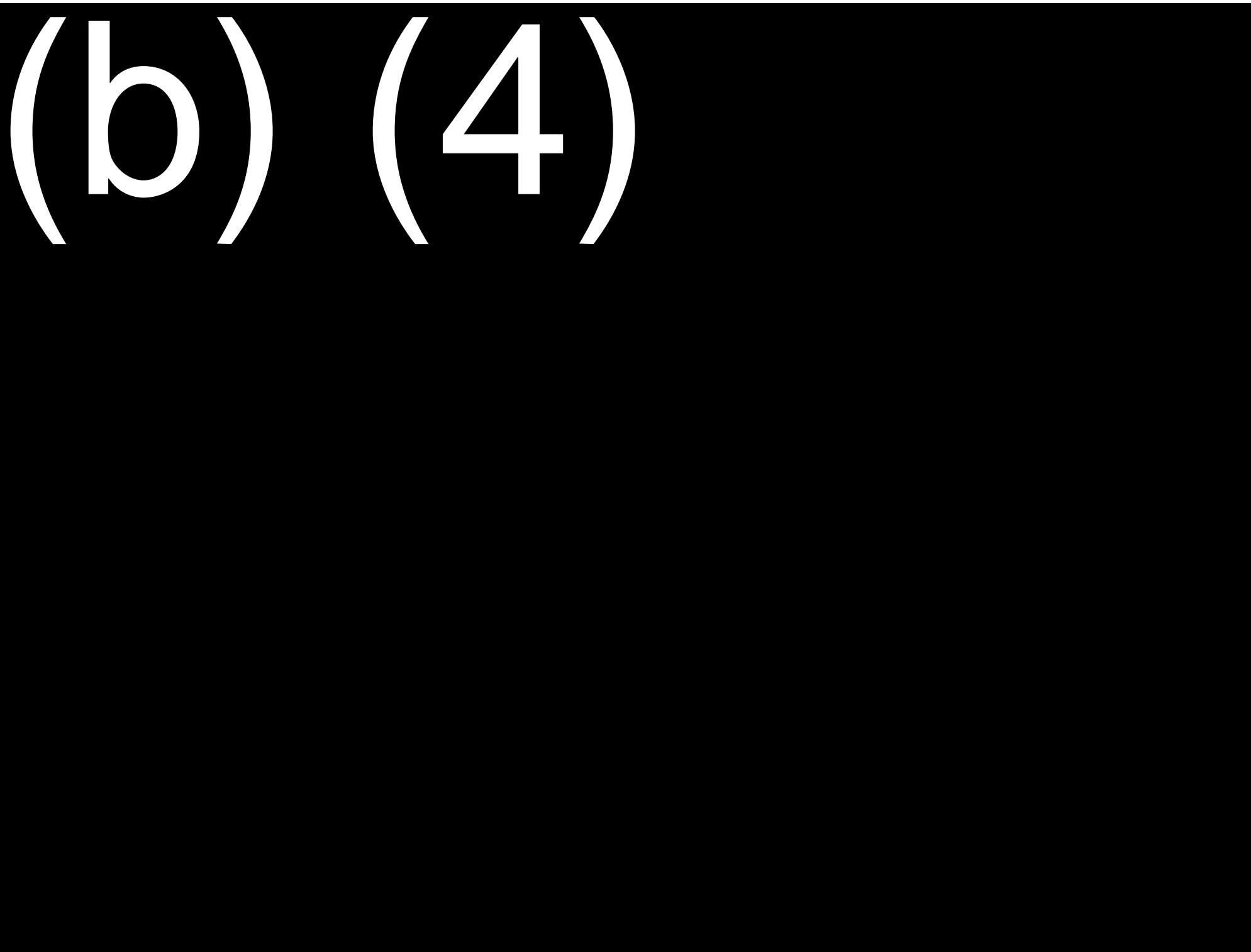
**PACIFIC COMMERCE BANK
BUDGET FOR 2009
Baseline**

	Actual 2008 12 Mos
INCOME STATEMENT	
Interest Income	
Interest on Loans	8,548
Interest on Investments	958
Interest on Fed Funds	43
Total Interest Income	9,548
Interest on Deposits	3,029
Interest on Borrowed Money	471
Total Interest Cost	3,501
Net Interest Income	6,048
Loan Loss Provisions	2,745
Net Interest Income After Loan Loss Provision	3,303
Non-Interest Income	371
Non Interest Expenses	
Personnel	3,450
Occupancy	480
Depreciation	243
Marketing & Advertising	171
Data Processing	345
Third Party Charges	285
Other Expenses	535
Total Non-interest expense	5,510
Stock Option Expenses	157
Net Income/Loss from Operations	(1,993)
Tax Credits	(453)
Net Income After Tax	(1,540)
Net Pre ALLL,SOP/Tax	909
ALLL coverage	2.80%
Return on Assets	-0.82%
Return on Equity	-7.98%
Loan Yield	6.00%
Cost of Funds	2.42%
Net Interest Spread	3.26%
NIM	3.80%
Total Risk-Based Capital	13.39%
Tangible Equity to Total Assets	10.30%
Efficiency	88.28%



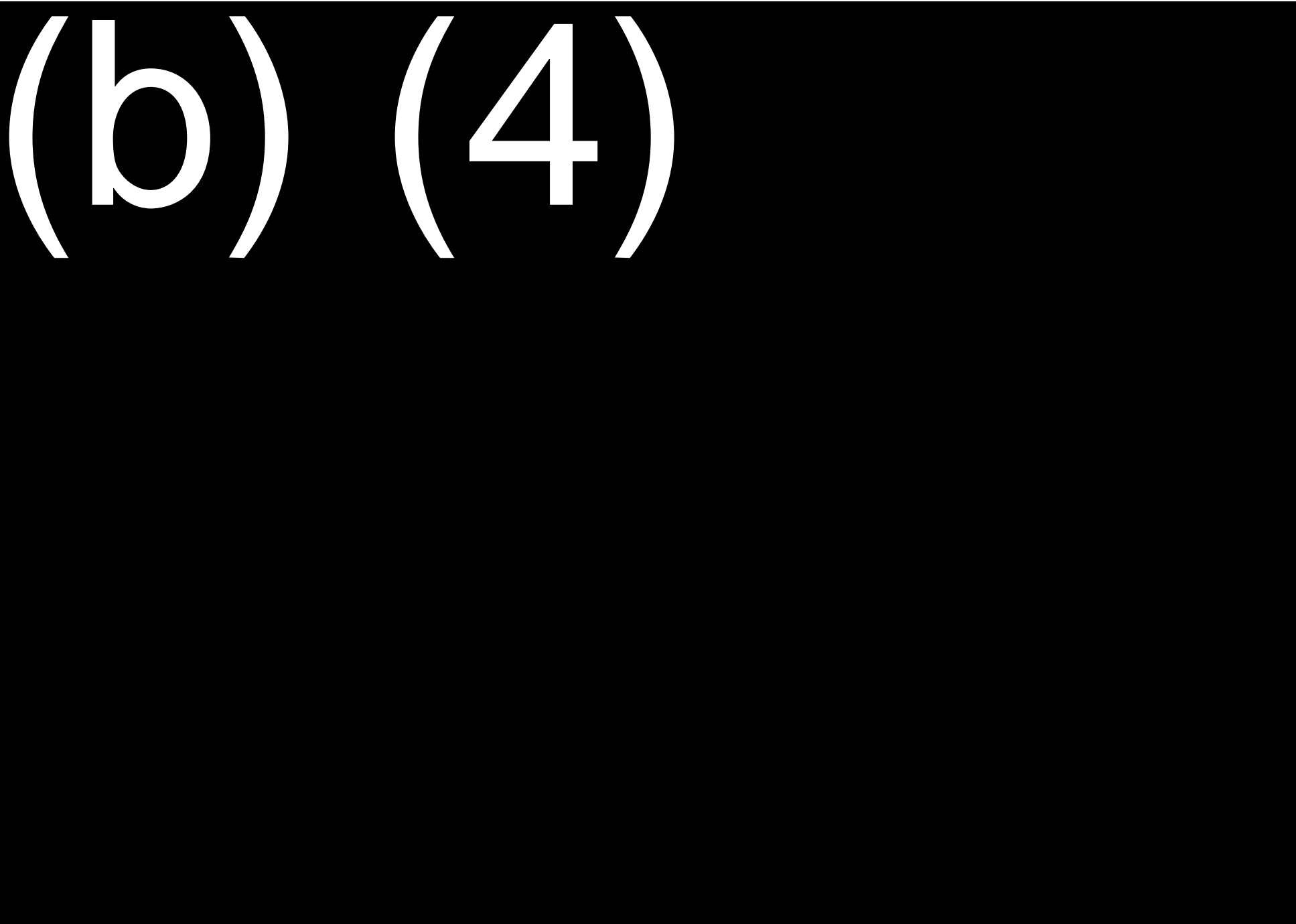
Pacific Commerce Bank 2009 Baseline Budget

1	Description	12/31/2008
2		
3	BALANCE SHEET	
4	Assets	
5	Cash & Due From	5,462,569
6	Investments	14,824,420
7	Other Assets	8,194,624
8	Net Loans	147,500,214
9	Fixed Assets	516,155
10	Fed Funds Sold & Bank Deposits	10,704,162
11	Total Assets	187,202,143
12		
13	Liabilities	
14	Demand Deposits	17,676,102
15	Passbook Savings	1,589,000
16	Money Market Account	58,663,869
17	Retail CD	43,993,818
18	CDARS CD	10,000,000
19	Brokered CD	16,079,000
20	Total Deposits	148,001,788
21	Borrowed Funds	19,000,200
22	Other Liabilities	917,343
23	Total Deposits & Liabilities	167,919,332
24		
25	Shareholders Equity	
26	Common Stock	20,555,448
27	Preferred Stock - Tarp	4,060,000
28	Surplus	485,588
29	Retained Earning	(6,085,019)
30	Unrealized Gain/Loss	266,794
31	Total Shareholder Equity	19,282,811
32		
33	Total Liabilities/Shareholders E	187,202,143
34		
35	INCOME STATEMENT	
36	Interest Income	
37	Interest on Loans	8,547,533
38	Interest on Investments	957,797
39	Interest on Fed Funds	42,972
40	Total	9,548,301
41		
42	Interest on Deposits	3,029,251
43	Interest on Borrowed Funds	471,363
44		
45	Net Interest Income	6,047,687
46		
47	Loan Loss Provisions	2,745,147
48		
49	Non-Interest Income	
50	Loan Fee Income	38,380
51	Service Charges on Deposit Acco	84,342
52	Other Fees	248,658
53	Gain/Loss on Sale of Loans	
54	Total Non-Interest Income	371,380
55		
56	Non Interest Expenses	
57	Personnel	3,450,474
58	Occupancy	479,509
59	Depreciation	243,357
60	Marketing & Advertising	171,320
61	Data Processing	344,624
62	Third Party Charges	285,337
63	Other Expenses	535,452
64	Total	5,510,072
65		
66	Stock Option Expense	156,849
67		
68	Income Tax/(Benefit)	(453,395)
69		
70	Net Income/Loss	(1,539,607)
71		
72	Net Pre ALLL/SOP/Tax	908,994
73		
74	Summary	
75	Total Assets	187,202,143
76	Net Loan	147,500,214
77	Total Deposits	148,001,788
78	Shareholders Equity	19,282,811
79	Before Tax Income	(1,993,002)
80	ALLL coverage	2.80%
81	NIM	3.80%
82	Return on Avg. Assets	-0.82%
83	Return on Avg. Equity	-7.98%
84	Net Interest Spread	3.26%
85	Total Risk-Based Capital	13.39%
86	Tangible Equity	10.30%



Pacific Commerce Bank 2009 Baseline Budget

Description	12/31/2008
Loan Portfolio	
1-4 Family Residential	16,115,750
Construction	11,990,053
Commercial Real Estate	64,198,825
Commercial & Industrial	48,987,586
SBA 7(a)	3,681,874
Consumer Loans	6,983,375
Less Deferred Fees	(322,243)
Less Loan Loss Reserves	(4,135,007)
Net Loan Total	147,500,214
Loan Yields	
1-4 Family Residential	5.400%
Construction	5.456%
Commercial Real Estate	6.070%
Commercial & Industrial	4.500%
SBA 7(a)	6.270%
Consumer Loans	4.460%
Loan Income	
1-4 Family Residential	958,033
Construction	408,098
Commercial Real Estate	4,312,873
Commercial & Industrial	2,508,686
SBA 7(a)	17,280
Consumer Loans	342,562
Total	8,547,533
Average Yield on Loans	6.000%
Loan Loss Allocation and Reserves	
Beginning Loan Loss Reserves	(1,398,884)
Non Accrual	
Commercial & Industrial	69,863
Installment	
SBA	
Commercial Real Estate	
Residential Real Estate	
Total Charge-offs	69,863
Non Accrual	
Commercial & Industrial	
Installment	
SBA	
Commercial Real Estate	
Residential Real Estate	
Total Recoveries	-
Net Charge-offs	69,863
Provision for Losses	(2,805,986)
Ending Loan Loss Reserves	(4,135,007)
Deposits	
Demand Deposits	17,676,102
Money Market Account	1,589,000
Passbook Savings	58,663,869
Time Deposits Less than \$100,000	14,270,447
Time Deposits \$100,000 or more	29,723,370
Brokered CD	26,079,000
Total Deposits	148,001,788
Borrowed Funds	19,000,200
Deposit Yields	
Demand Deposits	0.020%
Passbook Savings	0.550%
Money Market Account	2.600%
Time Deposits Less than \$100,000	2.600%
Time Deposits \$100,000 or more	2.100%
Brokered CD	3.600%
Borrowed Funds	2.500%



Pacific Commerce Bank 2009 Baseline Budget

1	Description	12/31/2008
159	Deposit Expense	
160	Demand Deposits	4,331
161	Passbook Savings	11,920
162	Money Market Account	853,252
163	Retail CD	1,279,350
164	Brokered CD	880,398
165	Total Deposits	3,029,251
166	Borrowed Funds	471,363
167		-
168	Average Cost of Funds	2.420%
169	Investment Portfolio	
170	Cash and Due From	500,000
171	Items in Process of Collection	500,000
172	Securities Available for Sale	14,824,420
173	Equity Securities	2,383,650
174	Fixed Assets	516,155
175	Total	18,724,225
176		
177	Fed Funds	10,704,162
178		
179	Investment Yields	
180	Securities Available for Sale	4.50%
181	Equity Securities	1.50%
182		
183	Fed Funds	0.25%
184		
185	Investment Income	
186	Securities Available for Sale	845,917
187	Equity Securities	111,880
188	Total	957,797
189		
190	Average Yield on Investments	5.566%
191		
192	Fed Funds	42,972
193		
194	Capital Accounts	
195	Common Stock	20,555,448
196	Preferred Stock - Tarp	4,060,000
197	Surplus	485,588
198	Retained Earning	(6,085,019)
199	Unrealized Gain/Loss	266,794
200	Total	19,282,811
201		
202	Non-accrual loans	
203	1-4 Family Residential	-
204	Construction	-
205	Commercial Real Estate	978,500
206	Commercial & Industrial	-
207	SBA 7(a)	-
208	Consumer Loans	-
209	Total	978,500
210		

