



Commerce National Bank

66

February 26, 2009

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

Dear Mr. Barofsky,

Your letter of February 6, 2009 requests various information relating to Commerce National Bank's involvement in the TARP program and we are pleased to offer the following response.

Commerce National Bank is a community business bank that just completed its fifth year of business. The bank operates two branches in Orange County California, a county that includes approximately 3,000,000 residents and some 87,000 businesses. Our target market is the small and medium sized business and professional community where we make loans and leases as small as \$25,000 up to about \$4,000,000. While we offer a full line of personal banking services, the majority of the consumer business goes to the larger national chain banks that dominate the marketplace.

As of December 31, 2008 our bank had total assets of \$221,412,201, deposits of \$170,402,232 and total loans of \$135,448,342, and shareholder equity of \$28,197,832. On January 9, 2009 we received \$5,000,000 in TARP funds which were immediately placed into our capital account. Our bank has a total of thirty one employees.

We are well aware that the TARP program is designed to increase lending. Our bank is involved in a wide variety of loans to our community. As of December 31, 2008 the bank had the following in outstanding loans:

Commercial	\$27,748,362
Consumer	\$18,149,040
Home Equity Lines	\$ 4,994,854
Construction / Land	\$11,761,399
Real Estate	\$66,158,636
Equipment Leases	\$ 6,636,051
Total Loans	\$135,448,342

The total loans represent an increase from the previous year end of \$15,267,287 or 12.7%.

Our bank does not make any residential home loans. All of the real estate loans are on income producing property.

Our bank has been and continues to be actively seeking new business from both our existing business customers and new business prospects. Retaining the existing business and obtaining new business is the responsibility of the banks officers. The following officers are actively involved in this process.

President & C E O
 Executive Vice President & Chief Credit Officer
 Senior Vice President & business development officer
 Two commercial lending officers
 Two commercial leasing officers
 One S B A lending officer
 One real estate lending officer
 One cash management officer

Hopefully the information outlined above will give you and your staff a working overview of Commercial National Bank. The following is presented to respond specifically to the information requested in your letter of February 6, 2009.

(1) (a) Anticipated use of TARP funds.

The banks focus right from the beginning was to lend the TARP proceeds to our commercial business borrowers, both existing customers and prospective customers, and our commercial leasing customers. The commercial business borrowers are generally in Orange County and the commercial equipment leasing customers are spread out around the state of California. The commercial business borrowers are our primary target market and they are local firms that range in size from several million per year in sales up to \$50,000,000 per year in sales. Almost all of these firms are privately owned and are extremely important to our bank because they provide the bank's deposit base of core customers. Commercial business loans to these target market customers are accounts receivable lines of credit, working capital lines of credit, equipment financing and leasing, inventory financing, letters of credit and every and any business borrowing purpose that makes sense to both the customer and the bank.

(1) (b) Were TARP funds segregated

The question asked is "Were TARP funds segregated from other institutional funds"? The answer is no. Commerce National is a small community bank with a very simple general ledger accounting system. The bank does not have any institutional funds. Obviously the new TARP money was immediately added to the bank's capital account following the instructions from our outside financial auditor.

(1) (c) Use of TARP funds to date

Our bank received the TARP funds on January 9, 2009. Our answer to this question will focus on the lending activity during the month of January.

Comparing the period ending 12-31-08 to 1-31-09 total loans grew from \$135,440,107 up to \$136,961,677, an increase of \$1,521,570 or 1.12% which on an annualized basis is 13.48% or roughly the same growth level as the bank experienced during 2008. This increase was after net payoffs of \$336,062 that the bank received during the month of January.

A more specific break down reveals the following:

Sixteen loans or leases funded or renewed during January.

Four new commercial business loans funded during January for a total of \$780,000.

Three commercial business loans renewed for existing customers for a total of \$837,368.

One S B A loan renewed for an existing customer for \$916,191.

Eight new equipment leases funded for business customers for a total of \$675,963.

Nineteen new requests for loans and or leases were turned down for various reasons. The total here is \$14,004,892 which is unusually high because of one single request of \$8,200,000. If we had approved this request we would have needed to bring in another bank to participate in the loan. This is unusual for our bank.

The Pipeline Report:

In addition to the review of the actual fundings and turndowns, I am including our new business pipeline report for Commercial Business Loans, S B A Loans and Equipment Leases. This report gives the reader an idea of what potential new business is in the "Pipeline". In general these new prospects should have a 50 / 50 chance of actually hitting the banks books within 60 days. We update the three "Pipeline" reports every two weeks.

Commercial Business Loans or Lines in the "Pipeline".

Eight new loans or lines totaling \$2,183,000 which could have initial fundings of \$842,000 and \$875,000 in associated deposits.

S B A Loans in the "Pipeline".

Eight new loans for \$5,892,500.

Equipment Leases in the "Pipeline".

Thirteen new lease prospects for \$821,053.

Total loans – lines – leases in the “Pipeline” of \$8,896,553.

(1) (d) Expected use of unspent TARP funds.

[REDACTED]

b(4)

Right from the beginning our priority in using the TARP funds was focused on our equipment leasing division. This is a new division for our bank, having started the division in mid 2008. It quickly became apparent that we would be able to grow faster than we expected because so many of the existing lenders had left the market. Starting from -0- in July 2008 the outstandings have increased to \$7,137,315 as of 1-31-09. It is

[REDACTED]

b(4)

(2) Executive Compensation

Following the instructions issued with the original TARP regulations, the bank's Compensation Committee has already met to adopt the four items required, signed the certification outlining these actions and has reported these actions to the full Board of Directors at the February board meeting. We are aware that the stimulus bill increased the required actions under Executive Compensation and as soon as we are able to obtain the new regulations we will process them through the Compensation Committee and the Board of Directors as well.

As a small community bank we do not have any issue with the Executive Compensation requirements. The top five officers are the C E O, the C F O, the E V P / Senior Credit Officer, Senior V P / S B A Loans, and a Senior V P Business Development Officer.

As the President & C E O I am the highest paid salaried employee [REDACTED] n b(4)

[REDACTED]

The Senior V P / S B A Loans does have [REDACTED] but he has no loan authority to approve any loan, only to find the loan in the first place.

b(4)

The Senior V P / Business Development Officer does have [REDACTED] but he is focused on deposits. If he does source a new loan, the request goes to a commercial loan officer and he has no authority or input for the loan decision.

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The Compensation Committee reviewed and approved both of these compensation plans.

The Compensation Committee and the Board of Directors both approved the Clawback provision.

The Compensation Committee and the Board of Directors both approved the Golden Parachute provision.

In reviewing other types of executive compensation as directed in your letter, we find the following.

[REDACTED]

b(4)

All the members of the Compensation Committee signed the required certification outlining these actions. The original regulations require an annual review of these compensation issues. As soon as we receive the new requirements, we will act to implement those as well.

I hereby certify that all of the statements, representations and supporting information provided to the inspector General in the request letter of February 6, 2009 are accurate.

Sincerely,



Mark Simmons
President & C E O

Supporting Information

January 31, 2009 month end loan reports. This is a copy of the reports that are sent the Directors Loan Committee and the full Board of Directors.

Two Press Releases

One dated December 3, 2008 announcing Commercial National Bank's approval to participate in the TARP program.

One dated January 14, 2009 announcing that Commerce National Bank had actually received the \$5,000,000 in new preferred stock.

A copy of the minutes of the Compensation & Governance Committee outlining the actions taken to conform with the requirements of the TARP related Executive Compensation issues.

Certificate of the Compensation Committee

Letter from the Los Angeles L D C received February 25, 2009.



Commerce National Bank

Monthly Loan Portfolio

December 2008

January 2009

Change

Commitments Outstandings

Commitments Outstandings

Commitments Outstandings

\$ \$

\$ \$

\$ \$

	December 2008				January 2009				Change	
	<u>Commitments</u>	<u>Outstandings</u>	<u>Commitments</u>	<u>Outstandings</u>	<u>Commitments</u>	<u>Outstandings</u>	<u>Commitments</u>	<u>Outstandings</u>	<u>% Change</u>	<u>% Change</u>
Commercial	16,835,178	23,040,322	15,214,284	23,899,491	-1,620,894	859,169				
Real Estate	156,021	51,445,474	133,033	51,344,534	-22,988	-100,940				
Consumer	2,396,556	18,140,806	2,073,764	18,203,399	-322,791	62,593				
Home Equity	2,345,146	4,994,854	2,067,840	5,269,484	-277,306	274,630				
Construction	529,160	11,761,399	479,688	11,478,620	-49,472	-282,780				
SBA	682,549	19,421,202	510,460	19,628,834	-172,088	207,633				
Leasing	0	6,636,051	0	7,137,315	0	501,264				
TOTALS	22,944,610	135,440,107	20,479,070	136,961,677	-2,465,540	1,521,569				
	<u>% of Portfolio</u>	<u>% of Capital</u>	<u>% of Portfolio</u>	<u>% of Capital</u>	<u>% Change</u>	<u>% Change</u>				
Commercial	73.37%	47.54%	17.01%	65.06%	-9.63%	3.73%				
Real Estate	0.68%	0.44%	37.98%	145.28%	-14.73%	-0.20%				
Consumer	10.44%	6.77%	13.39%	51.23%	-13.47%	0.35%				
Home Equity	10.22%	6.62%	3.69%	14.11%	-11.82%	5.50%				
Construction	2.31%	1.49%	8.68%	33.21%	-9.35%	-2.40%				
SBA	2.97%	1.93%	14.34%	54.84%	-25.21%	1.07%				
Leasing	0.00%	0.00%	4.90%	18.74%	0.00%	7.55%				
TOTALS	100.00%	64.79%	100.00%	382.48%	-10.75%	1.12%				



Commerce National Bank
 MONTHLY BOOKED LOANS/LEASES
 FOR JANUARY 2009

Br. No.	Name	Loan Type	New Loan Amount	Renewed Loan/Line Amount	Date Booked	Contact Officer	Comment	New Loans - Balances at month end
2	[Redacted]	CONS	\$300,000		1/2/09	[Redacted]		\$300,000
75	[Redacted]	SBA 7a	\$270,000		1/8/09	[Redacted]		\$43,845
2	[Redacted]	CL		\$240,468	1/15/09	[Redacted]		
2	[Redacted]	CL		\$276,900	1/15/09	[Redacted]	bld	
2	[Redacted]	OD Line	\$10,000		1/21/09	[Redacted]		\$0
75	[Redacted]	SBA 7a	\$200,000		1/22/09	[Redacted]		\$200,000
70	[Redacted]	TERM		\$320,000	1/26/09	[Redacted]		
75	[Redacted]	504 2nd		\$916,191	1/27/09	[Redacted]		
65	[Redacted]	LEASE	\$59,806		1/5/09	[Redacted]		\$59,806
65	[Redacted]	EFA	\$53,727		1/8/09	[Redacted]		\$53,727
65	[Redacted]	EFA	\$58,962		1/13/09	[Redacted]		\$44,381
65	[Redacted]	EFA	\$104,350		1/22/09	[Redacted]	4000	\$148,185
65	[Redacted]	EFA	\$75,066		1/22/09	[Redacted]		\$75,066
65	[Redacted]	LEASE	\$79,937		1/27/09	[Redacted]		\$79,937
65	[Redacted]	EFA	\$207,194		1/29/09	[Redacted]	11500	\$51,342
65	[Redacted]	EFA	\$36,921		1/30/09	[Redacted]		\$36,921
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GRAND TOTAL			\$1,455,961	\$1,753,559				\$1,093,209



Commerce National Bank
MONTHLY DEAD DEALS
FOR JANUARY 2009

2/11/2009

Name	Loan Type	Loan Amount	Start Date	Deposits	Contact Officer	Comment
[REDACTED]	CLOC	\$650,000	7/8/08	\$700,000	[REDACTED]	(b) (4)
[REDACTED]	CLOC	\$1,000,000	11/3/08	\$250,000	[REDACTED]	(b) (4)
[REDACTED]	CLOC	\$100,000	11/7/08	\$10,000	[REDACTED]	(b) (4)
[REDACTED]	CLOC	\$50,000	12/11/09	\$50,000	[REDACTED]	(b) (4)
[REDACTED]	CL	\$122,000	12/11/09		[REDACTED]	(b) (4)
[REDACTED]	CLOC/CL	\$8,200,000	11/19/08	\$500,000	[REDACTED]	(b) (4)
[REDACTED]	CLOC	\$500,000	11/10/08	\$50,000	[REDACTED]	(b) (4)
[REDACTED]	HELOC	\$500,000	1/26/09		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$175,000	12/23/08		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$48,000	12/26/08		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$450,000	12/30/08		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$167,000	12/31/08		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$86,500	1/07/09		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$96,000	1/07/09		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$194,000	12/17/09		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$17,500	1/15/09		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$32,226	1/20/09		[REDACTED]	(b) (4)
[REDACTED]	LEASE	\$350,000	1/21/09		[REDACTED]	(b) (4)
[REDACTED]	SBA 504	\$1,266,666	10/19/08		[REDACTED]	(b) (4)
GRAND TOTAL		\$14,004,892		\$1,560,000		

Loan Type Codes
 CL OC = Commnl Line of Credit
 CL = Commercial Loan
 504 = SBA
 7A = SBA
 REMP = Real Estate Mini Perm
 LC= Letter of Credit

CONS = Consumer Loans
 HEL = Home Equity
 CONST = Construction
 MUNIL = Municipal Leases
 LAND = Land Loan
 PLOC=Preferred line of credit



Commerce National Bank

PIPELINE REPORT

Status Codes
 A = Approved
 AR = Application Received
 D = Decline/Withdrawn
 P = Prospect

2/6/2009

Name	Loan Type	Loan Amount	Initial Funding	Start Date	Estimated Completion Date	Deposits	Contact Officer	Status Code	Comment
[REDACTED]	CL	\$100,000	\$100,000	1/14/19	2/10/09		[REDACTED]	A	[REDACTED]
[REDACTED]	CL OC	\$350,000	\$0	1/8/09	2/16/09	\$200,000 Opened	[REDACTED]	AR	[REDACTED]
[REDACTED]	CL	\$499,000	\$499,000	1/29/09	2/28/09	\$200,000	[REDACTED]	AR	[REDACTED]
[REDACTED]		\$949,000	\$599,000						
[REDACTED]		\$0	\$0			\$0			
[REDACTED]	LC	\$231,000	\$0	1/28/09	2/10/09	\$150,000	[REDACTED]	A	[REDACTED]
[REDACTED]	CL OC	\$400,000	\$200,000	2/1/09	2/3/09	\$400,000	[REDACTED]	A	[REDACTED]
[REDACTED]	CL	\$33,000	\$33,000	1/14/08	2/20/09		[REDACTED]	A	[REDACTED]
[REDACTED]		\$664,000	\$233,000	1/15/09	2/15/09	\$550,000	[REDACTED]	A	[REDACTED]
[REDACTED]	CONST	\$570,000	\$10,000	10/20/08	12/15/08	\$125,000	[REDACTED]	AR	[REDACTED]
[REDACTED]		\$570,000	\$10,000			\$125,000			
GRAND TOTAL		\$2,183,000	\$842,000			\$875,000			

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Loan Type Codes
 CLOC = Commi Line of Credit
 CL = Commercial Loan
 504 = SBA
 7A = SBA
 REMP = Real Estate Mini Perm
 LC = Letter of Credit

CONS = Consumer Loans
 HEL = Home Equity
 CONST = Construction
 MUNIL = Municipal Leases
 PLOC = Preferred line of credit

PIPELINE REPORT / SMALL BUSINESS LENDING

Commerce National Bank



Status Codes
 A = Approved
 AR = Application Received
 D = Decline/Withdrawn
 P = Prospect

Name	Loan Type	Loan Amount	App Date	CNB Approval	Credit	Appraisal	Enviro	SBA Approval	Funding	Status Code	Gross Premium	Est Net Premium	BDO	Comment
	504	\$ 212,500.00	12/22/08	2/4/09		1/28/2009	2/4/09		2/16/09	A				
	504/2	\$ 170,000.00	12/22/08	2/4/09		1/28/2009	2/4/09		2/16/09	A				
	7a	\$ 245,000.00	11/05/08						2/21/09	AR	\$8,200	\$5,750		
	504	\$ 1,100,000.00	11/20/08						2/27/09	AR	\$55,000	\$33,000		
	504/2	\$ 880,000.00	11/20/08						2/27/09	AR				
	504	\$ 1,280,000.00	01/29/09						3/30/09	AR				
	504	\$ 1,125,000.00	12/16/08						2/27/09	AR				
	504/2	\$ 900,000.00	12/16/08						2/27/09	AR				
GRAND TOTAL		\$5,892,500.00									\$63,200	\$38,750		

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(b) (4)

2/6/2009

Loan Type Codes

CLOC = Comm'l Line of Credit
 CL = Commercial Loan
 504 = SBA
 7A = SBA
 REMP = Real Estate Mini Perm
 LC= Letter of Credit
 LEASE = Leases & EFAs

CONS = Consumer Loans
 HEL = Home Equity
 CONST = Construction
 MUNIL = Municipal Leases
 LAND = Land Loan
 PLOC=Preferred line of credit



Commerce National Bank

LEASING PIPELINE REPORT

Status Codes
 A = Approved
 AR = Application Receive
 D = Decline/Withdrawn
 P = Prospect

2/6/2009

Name	Loan Type	Loan Amount (\$)	Guideline (\$)	Initial Funding	Start Date	Estimated Completion Date	Dep	Lessor Broker	Status Code	Discount Rate (%)	Comment
[REDACTED]	LEASE	30,000.00			9/10/08	Feb	\$0	[REDACTED]	A	9.00	(b)(4)
[REDACTED]	LEASE	93,000.00			1/17/08	Feb	\$0	[REDACTED]	A	8.75	(b)(4)
[REDACTED]	LEASE	92,253.00			1/20/08	Feb	\$0	[REDACTED]	A	8.50	(b)(4)
[REDACTED]	LEASE	48,000.00			12/10/08	Feb	\$0	[REDACTED]	A	10.00	(b)(4)
[REDACTED]	LEASE	100,000.00			12/10/08	Feb	\$0	[REDACTED]	A	8.75	(b)(4)
[REDACTED]	LEASE	36,000.00			12/17/08	Feb	\$0	[REDACTED]	A	10.00	(b)(4)
[REDACTED]	LEASE	75,000.00			1/9/09	Feb	\$0	[REDACTED]	A	8.75	(b)(4)
[REDACTED]	LEASE	50,000.00			1/12/09	Feb	\$0	[REDACTED]	A	10.00	(b)(4)
[REDACTED]	LEASE	58,000.00			1/23/09	Feb	\$0	[REDACTED]	A	9.00	(b)(4)
[REDACTED]	LEASE	30,000.00			1/26/09	Feb	\$0	[REDACTED]	A	9.00	(b)(4)
[REDACTED]	LEASE	71,800.00			2/4/09	Feb	\$0	[REDACTED]	A	9.00	(b)(4)
[REDACTED]	LEASE	60,000.00			2/5/09	Mar	\$0	[REDACTED]	A	9.00	(b)(4)
[REDACTED]	LEASE	77,000.00			1/21/09	Feb	\$0	[REDACTED]	A	9.50	(b)(4)
Leasing Department Sub-total		821,053.00									
Portfolio Purchase TOTAL		0.00		\$0			\$0				
GRAND TOTAL		821,053.00		\$0			\$0				

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**Commerce
National Bank**

Contact: Mark Simmons, President/CEO
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E-Mail: msimmons@commercenatbank.com

Press Release

COMMERCE NATIONAL BANK SELECTED TO PARTICIPATE IN U.S. TREASURY'S CAPITAL PURCHASE PLAN

NEWPORT BEACH, CA, December 3, 2008 – Commerce National Bank (OTCBB: CNBF.OB), a community business bank, today announced that the Bank has obtained preliminary approval of its application for the United States Treasury Department to invest \$5,000,000 in the company's preferred stock and warrants, as part of the government's much publicized Capital Purchase Plan.

On a pro forma basis, this investment will increase Commerce National Bank's strong Tier 1 capital ratio of 12.69 percent up to an even stronger 14.66 percent.

"This investment further secures Commerce National Bank as one of the most strongly capitalized banks in the Orange County area, which will expand our ability to meet the needs of our customers, shareholders and the communities we serve," said Mark Simmons, President & Chief Executive Officer. "We believe this investment represents a strong vote of confidence in Commerce National Bank, and we are pleased to participate in the Treasury's program to fortify the financial system and help support the nation's economic recovery."

Commerce National Bank said the additional capital will allow the bank to continue its growth strategy of providing superior commercial banking products and services to small and medium sized firms in its Orange County market.

The U.S. Treasury introduced the Capital Purchase Program on October 14, 2008. Following the participation of nine of the nation's largest banks, the Treasury has encouraged a select number of healthy banks to participate in the program to increase capital and lending capacity in the system to help the nation's economy.

With offices in Newport Beach near John Wayne airport and in the City of Fullerton, the Bank is well positioned to serve businesses, professionals and selected real estate customers in both the northern and southern areas of Orange County. The offices are staffed by experienced business bankers who are committed to providing exemplary service to their customers in the business community.

Forward Looking Statement

This news release contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections about Commerce National Bank's business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including those described above and the following: Commerce National Bank's timely development of new products and services, technological changes, changes in consumer spending and savings habits and other risks discussed from time to time in Commerce National Bank's reports and filings with the Office of the Comptroller of the Currency. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made, and Commerce National Bank does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release.



**Commerce
National Bank**

Contact: **Mark Simmons, President/CEO**
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E-Mail: msimmons@commercenatbank.com

Press Release

COMMERCE NATIONAL BANK ANNOUNCES RECEIPT OF \$5,000,000 IN NEW CAPITAL

NEWPORT BEACH, CA, January 14, 2009 – Commerce National Bank (OTCBB:CNBF.OB), a community business bank now in its sixth year of operation, announced that it has received \$5,000,000 in new capital as a result of its selection by the United States Treasury Department as a bank meeting the qualifications of the new Capital Purchase Plan. Mark Simmons, President & CEO, stated “this new capital investment will allow Commerce National Bank to continue to grow its basic customer base of Orange County business and professional deposit and loan accounts.” This additional capital will strengthen the bank’s already strong capital base which is an all important issue with the public’s need for security in their commercial business bank.

Based on the Bank’s preliminary capital as of December 31, 2008, adjusted for the \$5,000,000 in additional capital, the new capital to asset ratio will be approximately 14.8%. Management has not yet completed its year end close procedures and the audit of the 2008 financial statements is not complete. The total amount of capital may change upon completion of these processes.

This ratio makes Commerce National Bank one of the best capitalized and most secure business banks operating in Orange County. The bank’s Board of Directors, officers and staff will continue to focus on delivering the highest level of service to its business and professional customers and seek out new customers in the Orange County community.

With offices in Newport Beach near John Wayne airport and in the City of Fullerton, the Bank is well positioned to serve businesses, professionals and selected real estate customers in both the northern and southern areas of Orange County. The offices are staffed by experienced business bankers who are committed to providing exemplary service to their customers in the business community.

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Minutes of the Compensation & Governance Committee

February 13, 2009

5:00 P.M.


Members attending:



b(6)

Also attending:

Mark Simmons

Chairman  called the meeting to order at 5:00P. M.

b(6)

The first item on the agenda was a review of the new responsibilities the Bank assumed upon the receipt of the \$5,000,000 in new capital it acquired under the Emergency Economic Stabilization Act (ESSA) And the Capital Purchase Program (CPP). The act requires that the Compensation Committee meet at least annually to review, discuss and adopt the four requirements that the Bank must implement regarding Senior Executive Compensation.

The Compensation Committee must acknowledge the four requirements.

The Compensation Committee must define the five Senior Executive Officers.

The Compensation Committee must review any incentive compensation plans for the five Senior Executive Officers.

The Compensation Committee must certify in writing once each year that all of these actions have been adopted and that the Bank will implement them in accordance with the law.

All of these actions must take place within 90 days of the Bank's receipt of the \$5,000,000 in new capital which occurred on January 9, 2009.

b(6) Chairman [redacted] ^{b(6)} lead a discussion and review of the four requirements.

One: Prohibition of Risky Incentives.

Two: Clawback of Bonuses Based on Mistaken Financial Statements.

Three: No Golden Parachute Payment Permitted.

Four: \$500,000 Limit on Deductable Compensation.

The five Senior Executive Officers are defined as the C E O, the C F O and the next three most highly compensated employees. They are:

- b(6) [redacted] - CEO
- [redacted] - CFO
- [redacted] - E V P and Chief Credit Officer
- [redacted] - Senior Vice President
- [redacted] - Senior Vice President

[redacted] participate in an incentive plan. The committee reviewed and discussed the plans and determined that the plans in their use and application do not present any unnecessary risk to the Bank. [redacted] b(4), b(6)

After further discussion the items listed above were recommended for approval [redacted] b(6)

b(6) [redacted] All committee members voted in favor of the motion. Comm 2-13-

The next item for review and discussion was the certification of the actions discussed and approved in the preceding motion. The actual certification was prepared by the Bank's corporate counsel incorporating the necessary references to the law. The verbiage of the certification was discussed and Mr. Simmons was given instructions to insure that all of the requirements be implemented.

b(6)

On a motion made by [REDACTED] the certification was adopted as presented.

After all of the items discussed were completed, the committee members discussed the fact that just this day, a new and expanded version of the compensation requirements were adopted by the U. S. Senate as it passed its version of the stimulus bill. The committee is aware that it may be asked to revisit this topic in the near future after the new bill is passed into law.

Mr. Simmons then presented the Code of Ethics and General Policy on Insider Trading for its annual review by the Compensation Committee. The policy was reviewed and discussed by the committee and on a motion by [REDACTED] the committee recommended the policy to the full board of directors to be in force for another year. b(6)

Commerce National Bank
Newport Beach, California
Charter No. 24404

**Certification of the Compensation and Governance Committee
Under Section 111 (b) of
The Emergency Economic Stabilization Act of 2008 and 31 CFR Part 30**

Under Section 111(b)(2)(A) of the Emergency Economic Stabilization Act of 2008 ("EESA") and 31 CFR Part 30 (the "Regulations"), Commerce National Bank's Compensation and Governance Committee (the "Committee") is required to identify the features in the Bank's incentive compensation arrangements for its Senior Executive Officers ("SEOs") that could lead SEOs to take unnecessary and excessive risks that could threaten the value of the Bank. The Regulations require that the Committee review the SEO incentive compensation arrangements with the Bank's senior risk officers, or other personnel acting in a similar capacity, to ensure that SEOs are not encouraged to take such risks. The Regulations require such review promptly, and in no case more than 90 days, after the purchase under the Capital Purchase Program ("CPP"). The Bank's sale of securities to the Treasury under the CPP closed on January 9, 2009.

The Regulations also require that the Committee meet at least annually with the Bank's senior risk officers to discuss and review the relationship between the Bank's risk management policies and practices and the SEO incentive compensation arrangements.

In addition, the Regulations require the Committee to certify that it has completed the reviews of the SEO incentive compensation arrangements as outlined above. The Bank is required to provide this Certification to its primary regulatory agency, the Office of the Comptroller of the Currency (the "OCC").

Based on the foregoing, the Committee hereby certifies to the OCC that it has reviewed with senior risk officers the SEO incentive compensation arrangements and has made reasonable efforts to ensure that such arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the financial institution.

Dated: 2-20 -, 2009

Compensation and Governance Committee

b(6)

[Redacted signature]

[Redacted signature]

[Redacted signature]



RECEIVED

FEB 25 2009

Commerce National Bank

Tuesday, February 24, 2009

Mark E. Simmons
President and CEO
Commerce National Bank
4040 MacArthur Blvd., Suite 100
Newport Beach, CA 92660

RE: TARP

Dear Mark:

The purpose of this correspondence is to request your assistance in our request for Commerce National Bank to make an investment in the \$20 million 504 ACE Loan Fund II.

It is our understanding that on January 9, 2009, Commerce National Bank is a recipient of \$5,000,000 from the U.S. Treasury Department Office of Financial Stability.

The Los Angeles LDC, Inc is a certified community development financial institution by the U.S. Department of Treasury. We serve small businesses, nonprofit organizations, and minority lead enterprises operating in low income or distressed census tracts in Los Angeles, Orange and Ventura Counties. We have successfully met the needs of borrowers in our target market since 1980, and have received investment from your peers in our 1st \$10 million 504 ACE Loan Fund I (2004), LLC.

Enclosed with this letter, you will find the following:

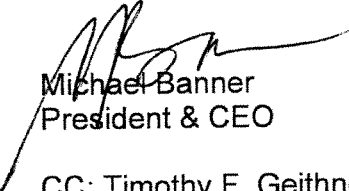
- (1) Offering circular 504 ACE Fund Loan II
- (2) 504 TARP recipient presentation

We look forward to your participation as an investor in the 504 ACE Loan Fund II.

Mark E. Simmons
February 24, 2009
Page 2

We respectfully request that you include a copy of this letter in your Community Reinvestment Act Public Comment files as documentation of the unmet credit need in Los Angeles, Orange and Ventura Counties.

Sincerely,



Michael Banner
President & CEO

CC: Timothy F. Geithner, U.S. Secretary of the Treasury
Sheila C. Baird, Chairman Federal Deposit Insurance Corporation
Gene Dodaro, Acting Comptroller General of the Government Accountability Office
Neil Barofsky, TARP Special Inspector General
Elizabeth Warren, Congressional Oversight Panel member
Damon Silvers, Congressional Oversight Panel member
Richard Neiman, Congressional Oversight Panel member
Rep. Jeb Hensarling, Congressional Oversight Panel member
Sen. John Sununu, Congressional Oversight Panel member

Enclosures