SECURITY BANK
OF CALIFORNIA

March 6, 2009

Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, DC 20220

Re: Security California Bancorp/Security Bank of California

Dear Mr. Barofsky:

We have received your correspondence, dated February 6, 2009 regarding your request to provide a narrative explanation of Security California Bancorp and its banking subsidiary, Security Bank of California anticipated use of Capital Purchase Program Investment. As background, Security California Bancorp, and its operating bank, Security Bank of California, prior to participating in the Troubled Assets Relief Program Capital Purchase Program was considered, and still is, a healthy bank, operating well within the regulatory standards of Safety and Soundness required of financial institutions.

From its inception, the bank has followed a very disciplined business model that has as its foundation a community bank supporting the financial needs of the community in which we operate.

The decision by our board of directors to participate in this program was driven by the belief that the Capital Purchase Program Investment will further solidify our capital base and support the bank in its mission of pursuing its business goal and objective of providing necessary funding to credit worthy borrowers within our community. The value of the Capital Purchase Program Investment came in two forms. Specifically, the actual cash that we received on January 9, 2009, representing the senior portion of the investment, $6,815,000, and the form of warrants we issued of $341,000 or a total of $7,156,000. This investment represents approximately 17% of our capital base as of January 31, 2009. Hence, for every financing dollar that we deploy (which includes, capital, internally generated deposits, and wholesale funding sources), the Capital Purchase Program Investment is imbedded in supporting and revitalizing the financing needs within the markets we operate.

Since the funds were received within the last 60 days, given the fungible nature of capital, it is difficult to completely quantify, as requested in your letter, the use of these specific funds. We do offer the following:

- For the year ended, 12/31/08, the bank grew its loan portfolio, by $60.8 million – an increase of 41.5%, when compared to 12/31/07 outstandings. 28% of that growth took place in the Fourth Quarter of 2008.

- At the date of this letter, the bank is in the process of funding a $5.7 million loan for a multi family apartment located here in Riverside.

- (b) (4) [redacted]

We are fully aware that the infusion of the Capital Purchase Program funds received from the U.S. Treasury Department comes with a price in terms of periodic dividends on both the senior portion of the investment as well as the warrants. In order for us, or any other institution for that matter, to service the dividend payments required, we have to adequately leverage the Capital Purchase Program Investment at a level that will generate an appropriate level of return. Therefore, there is no incentive for us not to fully deploy the funds together with our original capital base. In essence, for every dollar that we utilize for financing purposes, we simultaneously utilize the Capital Purchase Program investment. As pointed our earlier, this is due to the fungible nature of capital.

The Capital Purchase Program Investment then will clearly support and augment our future growth and stability. However, if we had not participated in the program, we can and will continue to be well positioned and well capitalized to pursue our business plan. As of January 31, 2009, we are fortunate that our ongoing management, including the Board, decisions in managing the ongoing operations of the company have positively resulted in no major write-offs, no loan delinquencies over 30 days, and no non performing assets on our books. But clearly, as economic conditions continue to impact our market, our region and our country, we will prudently allocate aggressive Loan Loss Reserve additions to insure that the bank is adequately reserved.

With respect to the Executive Compensation requirement associated with the Capital Purchase Program Investment, we will conform and adhere to each of the regulatory requirements. The bank has maintained a Compensation Committee, composed entirely of independent directors that address compensation related matters, since its inception.

Our counsel is a member of the committee to help insure that we are in full compliance with the law. The Compensation Committee met on February 17, 2009 in order to insure that requirements as of that date were in place. The Compensation Committee is scheduled to meet again on March 19, 2009 to re-review the requirements as well as the enhancements/clarifications that were recently announced.

In conclusion, we fully respect and understand the importance of this initiative to insure that complete transparency is in place and that we all can accurately assess the effectiveness of the Capital Purchase Program Investment. We trust that we have addressed your correspondence.

Sincerely,

Michael T Vanderpool

Michael T. Vanderpool
President
Security Bank of California

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CERTIFICATION

I, Michael T. Vanderpool 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.

Michael T Vanderpool

Michael T. Vanderpool
President
Security Bank of California

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