

March 5, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue NW, Suite 1064
Washington, DC 20220

Re: Response to letter dated February 6, 2009

Dear Mr. Barofsky:

This letter is written in response to your letter dated February 6, 2009. You have requested a narrative response outlining:

1. a. Anticipated use of TARP Funds

Mission Valley Bancorp, and its subsidiary Bank Mission Valley Bank, were well capitalized financial institutions at the time we applied for and received the TARP funds. However, both the Company and Bank had fully leveraged their capital and any further lending activities would have caused it to fall below the well capitalized ratios. Therefore, the TARP funds were applied for to allow the Bank to continue its lending activities.

Mission Valley Bancorp and Bank are certified Community Development Financial Institutions (CDFI) whose primary mission is to support the growth and expansion of small businesses within our local community, primarily through lending activities, which create jobs and sustain small businesses. As a CDFI bank, our lending programs reach out to distressed borrowers not traditionally considered bankable, through various programs including Small Business Administration (SBA) lending as well as extensive training to assist business owners in managing their businesses through difficult times. We maintain partnership with many other CDFIs and non profits, such as Small Business Development Centers in order to accomplish these objectives.

b. Whether TARP funds were segregated from other institutional funds

The TARP funds are denoted on the books of the Company as Series A Preferred Stock in the capital section of the general ledger. Through the Bank's ability to leverage capital up to a multiple of fifteen (15) times, the \$5.5 million in TARP capital allows the Bank to provide an additional \$82.5 million in new loan facilities to our local community.

c. Actual use of TARP funds to date

Since receipt of the TARP capital on December 23, 2008, Mission Valley Bank has originated over \$9.5 million in new loans with an additional \$2.8 million committed and ready to fund within the next thirty days.

Due to the current economic crisis, a large number of local businesses are experiencing extreme pressure on cash flow, which is in many cases inhibiting their ability to maintain operations and/or keep existing loans current. In an effort to provide solutions and in keeping with our CDFI mission, Mission Valley Bank determined it appropriate to launch several new products to assist distressed small businesses. Accounts receivable, factoring and formula based lending programs have been put in place to help businesses better manage their cash flow to meet ongoing obligations and continue operations. A significant portion of the Bank's new business is a result of these new product lines. It should be noted that the Bank funded \$9.8 million of these new loan products several weeks prior to actual receipt of the TARP capital, in anticipation of its receipt. In addition, we are aggressively reaching out to existing borrowers to assess their situation and offer solutions, including debt restructuring where appropriate.

d. Expected use of unspent TARP funds

As stated previously, the Bank's ability to leverage capital up to a maximum of fifteen (15) times gives it greater flexibility and capacity to meet the credit needs of its community. As a small (\$250 million in asset size) community based bank, Mission Valley Bank's ability to loan out an additional \$82.5 million will allow it to meet the credit needs of its community over an extended period of time before additional capital is needed.

As indicated previously, we expect to deploy the additional capital through the newly launched accounts receivable, factoring and formula based lending programs, as well as through our Small Business Administration (SBA) loan

programs. (b) (4)

As a result of the downturn in the economy which has been going on for over a year, coupled with the sub-prime crisis (caused by the larger financial firms—banks and non-banks) the entire financial services industry has suffered enormously. Stock values have plummeted and the capital markets have dried up. There was no other place for Mission Valley Bancorp to go for capital so that its subsidiary Bank could continue to lend and remain a part of the solution to this crisis. Suffice it to say, none of this new lending would have been possible without the additional TARP capital, which helped us maintain our well capitalized rating while continuing our important lending programs.

2. *Specific plans, and status of implementation of plans, for addressing executive compensation requirements associated with the funding.*

As you know, the executive compensation requirements are very recent pronouncements and have evolved over the time since the Company received its TARP funding. As a result, our Board of Directors has determined it appropriate to engage legal counsel as well as outside consultants who specialize in this area for guidance in meeting the imposed requirements. It is the Company's intention to be in full compliance with these new guidelines. It should be noted that the Bank's current performance compensation programs include factors that serve to disincen executive officers, and all officers, from taking undue credit risk. If changes to current plans are deemed necessary after the assessment of counsel and executive compensation experts, the Company will make the necessary changes in order to be compliance with the imposed requirements.

I hereby certify as to the accuracy of all statements, representations and supporting information provided herein.

Tamara G. Gurney
President and CEO