CPP **ANNUAL USE OF CAPITAL SURVEY - 2010**

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Person to be contacted regarding this report:	Tom Tolda (805-369-5107)
UST Sequence Number:	
CPP/CDCI Funds Received:	21,000,000
CPP/CDCI Funds Repaid to Date:	0
Date Funded (first funding):	Mar 20, 2009
Date Repaid[1]:	N/A

RSSD: (For Bank Holding Companies)	2253529
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	24229
Credit Union Charter Number: (For Credit Unions)	
City:	Paso Robles
State:	California

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☐	Increase lending or reduce lending less than otherwise would have occurred.	
☒	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	In 2010 gross loans declined $51.4 million. Of this decline, $23.9 million was charged-off and $13.3 million were loans foreclosed on and transferred to Other Real Estate Owned. Origination of new loans to credit worthy borrowers was unable to keep up with the declines noted above.
☒	Increase securities purchased (ABS, MBS, etc.).	Investment securities in 2010 increased $103.9 million largely due to our $60 million Capital Raise in March, 2010 coupled with deposit growth of $22.7 million. These securities where largely mortgage backed and municipal bonds.

☐	Make other investments	
☒	Increase reserves for non-performing assets	In 2010 we increased our Allowance for Loan Losses $10.6 million from $14.4 million at 12/31/09 to $24.9 million at 12/31/10.
☒	Reduce borrowings	Borrowings in 2010 were reduced from $65 million on 12/31/09 to $45 million at 12/31/10.
☒	Increase charge-offs	Charge-offs in 2010 were $23.9 million as opposed to $20.1 million in 2009.
☐	Purchase another financial institution or purchase assets from another financial institution	
☐	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Both the Holding Company and the Bank were much more able to withstand the negative effects of recession with the CPP funds which allowed us time to raise private capital in the equity market. In March, 2010 Heritage Oaks Bancorp raised $60 million in new common stock. Both CPP and the common stock raised helped to ensure that the Bank and its Holding Company remained well capitalized for our depositors.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The U.S. Treasury's approval and our receipt of CPP funds helped to strengthen capital and provided greater assurance to depositors and investors that the Bank could weather the economic down-turn. This market confidence helped position the Bank for raising private capital in March, 2010.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

CPP funds contributed to adding liquidity at a critical time in 2009 when markets were freezing up.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.