Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2010

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [ ] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
MCCARTHY & HOLTHUS, LLP 401(K) RETIREMENT PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/2000

2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.)
MCCARTHY & HOLTHUS, LLP

THOMAS J. HOLTHUS

1770 FOURTH AVENUE
SAN DIEGO, CA 92101

2b Employer Identification Number (EIN) 33-0840381

2c Sponsor's telephone number 619-685-4800

2d Business code (see instructions) 541110

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	07/21/2011	THOMAS J HOLTHUS
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")

THOMAS J HOLTHUS

1770 FOURTH AVENUE
SAN DIEGO, CA 92101

3b Administrator's EIN
33-0840381

3c Administrator's telephone number
619-685-4800

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	648
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	671
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	21
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	692
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	692
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	294
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	7
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2E 2F 2G 2J 2K

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)		**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)		**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X	**H** (Financial Information)
(2)		**I** (Financial Information – Small Plan)
(3)		**A** (Insurance Information)
(4)		**C** (Service Provider Information)
(5)		**D** (DFE/Participating Plan Information)
(6)		**G** (Financial Transaction Schedules)

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2010

This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan
MCCARTHY & HOLTHUS, LLP 401(K) RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
MCCARTHY & HOLTHUS, LLP

D Employer Identification Number (EIN)
33-0840381

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	62885	87376
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)	23375	44200
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	72258	93821
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	1659715	2366584
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	1818233	2591981
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j	209	337
k	Total liabilities (add all amounts in lines 1g through1j)	1k	209	337
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	1818024	2591644

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	87375	
	(B) Participants	2a(1)(B)	509228	
	(C) Others (including rollovers)	2a(1)(C)	1172	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		597775
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)		
	(F) Other	2b(1)(F)	43705	
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		43705
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		258752
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		900232
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	111824	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		111824
f Corrective distributions (see instructions)	2f		14451
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	337	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		337
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		126612
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		773620
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [ ] Unqualified (2) [ ] Qualified (3) [X] Disclaimer (4) [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: HOCKING & REID, LLC (2) EIN: 47-0806082

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. (2) [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

		Yes	No	Amount
a	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		50000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

Hocking & Reid, LLC

Certified Public Accountants

Report of Independent Accountants

To the Plan Administrator
McCarthy & Holthus LLP
401(k) Retirement Plan

We were engaged to audit the accompanying statements of net assets available for benefits of McCarthy & Holthus LLP 401(k) Retirement Plan (the Plan) as of December 31, 2010 and 2009, the related statement of changes in net assets available for benefits for the year ended December 31, 2010, and the accompanying supplemental schedule as of December 31, 2010. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information described in Note 3, which was certified by the trustee of the Plan, except for comparing the information with the related information included in the accompanying financial statements and supplemental schedule. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions through a trust fund. The Plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the Plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Hocking & Reid, LLC

Lincoln, Nebraska
July 20, 2011

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

December 31, 2010 and 2009

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
For the year ending December 31, 2010

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Hocking & Reid, LLC

Certified Public Accountants

Report of Independent Accountants

To the Plan Administrator
McCarthy & Holthus LLP
401(k) Retirement Plan

We were engaged to audit the accompanying statements of net assets available for benefits of McCarthy & Holthus LLP 401(k) Retirement Plan (the Plan) as of December 31, 2010 and 2009, the related statement of changes in net assets available for benefits for the year ended December 31, 2010, and the accompanying supplemental schedule as of December 31, 2010. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information described in Note 3, which was certified by the trustee of the Plan, except for comparing the information with the related information included in the accompanying financial statements and supplemental schedule. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions through a trust fund. The Plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the Plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Hocking & Reid, LLC

Lincoln, Nebraska
July 20, 2011

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

as of December 31, 2010 and 2009

	2010	2009
ASSETS		
Investments, at fair value	$ 2,410,784	$ 1,683,090
Receivables:		
Employer's	87,376	62,885
Notes receivable from participants	93,821	72,258
	2,591,981	1,818,233
Accrued expenses	(337)	(209)
Net assets available for benefits	$ 2,591,644	$ 1,818,024

The accompanying notes are an integral part of these financial statements.

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2010

Additions to net assets attributed to:	
Contributions:	
Employer	$ 87,375
Participants	509,228
Rollovers	1,172
	597,775
Investment income:	
Dividends and interest	43,705
Loss on sale of securities	13,267
Net appreciation in fair value of investments	245,485
	302,457
Total additions	900,232
Deductions from net assets attributed to:	
Benefit payments	126,275
Administrative fees	337
Total deductions	126,612
Net increase in net assets available for benefits	773,620
Net assets available for benefits, beginning of period	1,818,024
Net assets available for benefits, end of period	$ 2,591,644

The accompanying notes are an integral part of these financial statements.

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
For the year ending December 31, 2010

1. Plan Description:

The following description of the McCarthy & Holthus LLP 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions. Certain 2009 amounts have been reclassified to conform with 2010 presentation.

General

The Plan is a multi-employer, defined contribution plan covering employees of McCarthy & Holthus, LLP (the "Company"), Quality Claims Management, IDSolutions, Inc., Quality Loan Service, Quality Loan Service Washington and Quality Escrow who have one year of service (which includes completion of 1,000 hours or more of service) and are age eighteen or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Each year the Company contributes to each eligible participant an amount equal to 50% of the participant's elective deferral up to a maximum of $700. Each participant must meet the 1,000 hours of service requirement and be employed on the last day of the plan year, determined annually. Each year, participants may contribute up to the maximum percentage of compensation and dollar amount permissible under the Internal Revenue Code, subject to certain limitations. Participants who have attained age fifty before the end of the Plan year are eligible to make catch-up contributions. The Plan allows participants to designate all or any part of their elective deferral as Roth 401(k). Participants may also contribute amounts representing distributions from other qualified plans. Participants can increase or decrease their deferral amounts on the first of each quarter.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution, (b) Plan earnings, and (c) administrative expenses. Allocations are based on participant earnings or account balances, as defined by the Plan. Forfeitures of non-vested amounts are used to reduce the employer contribution. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participant accounts are valued on a daily basis based on each participant's share balance in mutual funds.

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS, Continued
For the year ending December 31, 2010

1. Plan Description, Continued:

Investment Options

Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan offers various mutual funds as investment options for participants.

Vesting

Participants are vested in their respective participant accounts attributable to employer contributions based on years of continuous service. A participant is 100 percent vested after six years of service.

Notes Receivable from Participants

The loan provisions of the Plan allow plan participants with a vested account balance to borrow an amount not to exceed $50,000 or one-half of the fair market value of the participant's vested account balance, whichever is less. All loans shall bear interest at a rate reasonable at the time of application. The terms of participant loans shall not exceed five years except in the case of a loan for the purpose of acquiring any house, apartment, condominium or mobile home that is used or is to be used as the principal residence of the participant.

Payment of Benefits

Benefits to a participant will commence to be distributed in the year in which the participant attains age 70 ½ (unless the participant is still working and elects to postpone benefit payments), or the tax year in which the participant terminates service for any reason. Qualifying participants have the option to receive retirement benefits in the form of a lump sum distribution, in equal annual installments over a certain period of years, or in a combination of both above-mentioned options. Installments are limited to a time period of life expectancy based on mortality tables published by the Internal Revenue Service. If a participant terminates employment with the Company for any reason, the vested portion of his or her account shall be distributed in a single lump sum payment, if the vested account balance is less than $1,000.

Forfeited Accounts

During 2010 and 2009, forfeited non-vested accounts totaled $6,388 and $736, respectively. These amounts were used to reduce employer contributions.

1. Plan Description, Continued:

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of the Plan termination, participants would become 100 percent vested in their employer contributions.

Administrative Expenses

Administrative expenses paid by the Plan relate primarily to certain trustee fees.

2. Summary of Significant Accounting Policies:

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and present the net assets available for benefits and changes in those net assets in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan presents in the statement of changes in net assets available for benefits the net appreciation in fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified to distributions based upon the terms of the Plan document.

2. Summary of Significant Accounting Policies, Continued:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values of investments securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

3. Information Prepared and Certified by Trustee:

As permitted by Section 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under Employee Retirement Income Security Act of 1974, the Plan administrator has elected to restrict the auditor's examination of the information certified by the trustee of the Plan.

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to as complete and accurate by the trustee:

	2010	2009
Investments, at fair value	$ 2,410,784	$ 1,683,090
Notes receivable from participants	93,821	72,258
Investment income (loss)	302,457	273,368

4. Investments:

The Plan's investments are held in a bank-administered trust fund. Investments that represent 5 percent or more of the Plan's net assets at December 31, 2010 and 2009, are as follows:

	2010	2009
Investments at fair value:		
American Funds EuroPacific Growth Fund	$ 368,833	$ 277,011
American Funds Growth Fund of America	232,652	166,359
American Funds Investment Co. of America	247,726	188,217
Calamos Growth Fund	303,887	212,559
Oppenheimer Strategic Inc. Fund	183,781	136,416
Vanguard 500 Index Fund	420,625	302,317
Vanguard Target Retirement - 2030	133,223	85,925
Vanguard Target Retirement - 2040	232,797	173,312
Vanguard Target Retirement - 2050	126,259	48,215
Other, under 5 percent	161,001	92,759
	$ 2,410,784	$ 1,683,090

During 2010, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value of $258,752.

5. Fair Value Measurements:

The Plan's investments are reported at fair value in the accompanying statements of net assets available for benefits.

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010				
Mutual funds	$ 2,366,584	$ 2,366,584	$ -	$ -
Common stock	44,200	44,200	-	-
Total	$ 2,410,784	$ 2,410,784	$ -	$ -
December 31, 2009				
Mutual funds	$ 1,659,715	$ 1,659,715	$ -	$ -
Common stock	23,375	23,375	-	-
Total	$ 1,683,090	$ 1,683,090	$ -	$ -

FASB Accounting Standards Codification section 820, "*Fair Value Measurements and Disclosures,*" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

5. Fair Value Measurements - Continued:

Level 1 Fair Value Measurements

Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the Plan has the ability to access at the measurement date. The fair values of mutual funds and common stock are based on quoted market prices, when available.

Level 2 Fair Value Measurements

Fair values are based on inputs other than quoted prices included in Level 1 that are observable for valuing the asset or liability, either directly or indirectly. Observable inputs include quoted price for similar assets or liabilities in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs. There were no Level 2 inputs.

Level 3 Fair Value Measurement

Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances. There were no Level 3 inputs.

There have been no changes in the methodologies used at December 31, 2010 and 2009.

Gains and losses (realized and unrealized) included in the statement of changes in net assets available for benefits for the year ended December 31, 2010 are reported in net appreciation (depreciation) in fair value of investments.

6. Party-in-Interest Transactions:

Plan investments are shares of mutual funds managed by Cornerstone Bank. Cornerstone Bank is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

7. Tax Status:

The Internal Revenue Service has determined and informed the Company by letter dated January 31, 2006, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to December 31, 2007.

8. Subsequent Events:

Subsequent events have been evaluated through July 20, 2011, which is also the date these financial statements were available to be issued.

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN
EIN 33-0840381
PLAN NUMBER 001
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2010

(a)	(b) Indentity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
	Common Stock			
*	California Business Bank Common Stock	Common Stock	$ 170,000	$ 44,200
	Cornerstone Bank:			
*	Federated Government Obligations Fund	Stock Index Mutual Fund	A	93,635
*	Money Market Account	Stock Mutual Fund	A	483
*	American Funds EuroPacific Growth Fund	Stock Mutual Fund	A	368,833
*	American Funds Growth Funds of America	Stock Mutual Fund	A	232,652
*	American Funds Investment Co. of America	Stock Mutual Fund	A	247,726
*	Calamos Growth Fund	Stock Mutual Fund	A	303,887
*	Oppenheimer Strategic Income Fund	Stock Mutual Fund	A	183,781
*	Vanguard Target Retirement 2020	Stock Mutual Fund	A	22,683
*	Vanguard Target Retirement 2030	Stock Mutual Fund	A	133,223
*	Vanguard Target Retirement 2040	Stock Mutual Fund	A	232,797
*	Vanguard Target Retirement 2050	Stock Mutual Fund	A	126,259
*	Vanguard 500 Index	Stock Mutual Fund	A	420,625
				2,366,584
*	Notes receivable from participants	Rates from 4.25% - 7%		93,821
	Total			$ 2,504,605

* Denotes party-in-interest

A Cost not required for participant directed investments

McCARTHY & HOLTHUS LLP
401(k) RETIREMENT PLAN
EIN 33-0840381
PLAN NUMBER 001
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2010

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