

CVB FINANCIAL CORP  
Form DEF 14A  
April 07, 2009

**Table of Contents**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(AMENDMENT NO. \_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Definitive Proxy Statement  
 Preliminary  
Proxy  
Statement  
 Confidential, for  
Use of the  
Commission Only  
(as permitted by  
Rule 14a-6(e)(2))  
 Definitive  
Additional  
Materials  
 Soliciting  
Material Pursuant  
to §240.14a-12

**CVB FINANCIAL CORP**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.  
 Fee computed  
on table below  
per Exchange Act  
Rules 14a-6(i)(4)  
and 0-11.  
(1) Title of each  
class of securities  
to which  
transaction

applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.  Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form,  
Schedule or  
Registration  
Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**TABLE OF CONTENTS**

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

STOCK OWNERSHIP

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

DISCUSSION OF PROPOSALS RECOMMENDED BY THE BOARD

PROPOSAL 1

ELECTION OF DIRECTORS

COMPENSATION DISCUSSION AND ANALYSIS

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTANTS

PROPOSAL 3

ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

ANNUAL REPORT

PROPOSALS OF SHAREHOLDERS

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**Table of Contents**

**CVB FINANCIAL CORP.  
NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 13, 2009**

**TO OUR SHAREHOLDERS:**

The 2009 Annual Meeting of Shareholders of CVB Financial Corp. will be held at the Ontario Convention Center, 2000 Convention Center Way, Ontario, CA 91764, on Wednesday, May 13, 2009, at 7:00 p.m. local time.

At our meeting, we will ask you to act on the following matters:

1. **Election of Directors.** Elect eight persons to the Board of Directors to serve a term of one year and until their successors are elected and qualified. The following eight persons are the nominees:

George A. Borba

Christopher D. Myers

John A. Borba

James C. Seley

Robert M. Jacoby, C.P.A.

San E. Vaccaro

Ronald O. Kruse

D. Linn Wiley

2. **Ratification of Appointment of Independent Registered Public Accountants.** Ratify the appointment of KPMG, LLP as our independent registered public accountants for 2009.

3. **Advisory Vote to Approve Compensation of Named Executive Officers.** To consider and approve, in a non-binding vote, the compensation of our named executive officers.

4. **Other Business.** Transact any other business which properly comes before the meeting.

Our Bylaws provide for the nomination of directors in the following manner:

Nominations for election of members of the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of voting stock of the corporation entitled to vote for the election of directors. Notice of intention to make any nominations, other than by the Board of Directors, shall be made in writing and shall be received by the President of the corporation no more than 60 days prior to any meeting of shareholders called for the election of directors, and no more than 10 days after the date the notice of such meeting is sent to shareholders pursuant to Section 2.2 of these bylaws; provided, however, that if only 10 days notice of the meeting is given to shareholders such notice of intention to nominate shall be received by the President of the corporation not later than the time fixed in the notice of the meeting for the opening of the meeting. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of voting stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of

**Table of Contents**

voting stock of the corporation owned by the notifying shareholder. Nominations not made in accordance herewith shall be disregarded by the then chairman of the meeting, and the inspectors of election shall then disregard all votes cast for each nominee. Additional information regarding procedures for shareholders recommending nominees for directors is set forth under the heading Consideration of Shareholder Nominees.

If you were a shareholder of record at the close of business on March 17, 2009, you may vote at the meeting or at any postponement or adjournment of the meeting.

**Important Notice Regarding the Internet Availability of Proxy Materials for  
the Annual Meeting of Shareholders to be held on May 13, 2009**

The proxy statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2008, are available on our website at [www.cbbank.com](http://www.cbbank.com) under the tab CVB Investors and then Documents.

IT IS IMPORTANT THAT ALL SHAREHOLDERS VOTE. WE URGE YOU TO SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE, REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. YOU MAY ALSO DELIVER YOUR VOTE BY TELEPHONE OR INTERNET BY FOLLOWING THE INSTRUCTIONS ON YOUR PROXY CARD OR VOTING INSTRUCTION FORM. IF YOU DO ATTEND THE MEETING, YOU MAY THEN WITHDRAW YOUR PROXY AND VOTE IN PERSON.

By Order of the Board of Directors

MYRNA DISANTO  
Corporate Secretary

Dated: April 8, 2009

**Table of Contents**

**PROXY STATEMENT FOR  
CVB FINANCIAL CORP.  
701 North Haven Avenue, Suite 350  
Ontario, California 91764  
(909) 980-4030**

This proxy statement contains information about the annual meeting of shareholders of CVB Financial Corp. to be held on Wednesday, May 13, 2009, beginning at 7:00 p.m., local time, at the Ontario Convention Center, 2000 Convention Center Way, Ontario, CA 91764, and at any postponements or adjournments of the meeting.

**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**Why Did You Send Me This Proxy Statement?**

We sent you this proxy statement and the enclosed proxy card because the Board of Directors is soliciting your vote at the 2009 Annual Meeting of Shareholders.

This proxy statement summarizes the information you need to know to cast an informed vote at the meeting. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card or vote by telephone or Internet.

We will begin sending this proxy statement, notice of annual meeting and the enclosed proxy card on or about April 8, 2009 to all shareholders entitled to vote. The record date for those entitled to vote is March 17, 2009. On the record date there were 83,286,511 shares of our common stock outstanding. On the record date, there were also 130,000 shares of our Series B Preferred Stock outstanding. However, our Series B Preferred Stock is not entitled to vote on any matter currently proposed at the annual meeting. We are also sending our Annual Report and our Annual Report on Form 10-K to shareholders for the year ended December 31, 2008 along with this proxy statement.

Whether you plan to attend the meeting or not, we urge you to complete, sign and date the enclosed proxy card and to return it promptly in the envelope provided or vote by telephone or Internet. Returning the proxy card will not affect your right to attend the meeting and vote.

**How Can I Vote?**

Shareholders of record may vote by proxy or in person at the meeting. To vote by proxy, you may select one of the following options:

*Vote by Mail.* If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

*Vote by Telephone.* You can vote your shares by telephone by calling the toll-free telephone number shown on your proxy card. Telephone voting is available 24 hours a day, 7 days a week. Voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. The telephone voting procedures are designed to authenticate the shareholder's identity by using individual control numbers, which you will find on your proxy card. If you vote by telephone, you should NOT return your proxy card.

*Vote by Internet.* You can choose to vote on the Internet. The website for Internet voting is shown on your proxy card. Internet voting is available 24 hours a day, 7 days a week. You will be given the opportunity to confirm that your instructions have been properly recorded. The Internet voting procedures are designed to authenticate the shareholder's identity by using individual control numbers, which you will find on your proxy card. If you vote on the Internet, you should NOT return your proxy card.

**If you vote by telephone or Internet, your vote must be received by 1:00 a.m. Central Time, on May 13, 2009, to ensure that your vote is counted.**

Beneficial owners must follow voting instructions received from your bank, broker or other nominee in order to have your shares voted.

**How Will My Shares Be Voted?**

If you properly fill in your proxy card and send it to us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board of Directors as follows:

FOR the election of all eight nominees for director;



FOR ratification of the appointment of KPMG, LLP as our independent registered public accountants for 2009;  
and

**Table of Contents**

FOR the approval of the compensation of CVB Financial Corp. s named executive officers as determined by the Compensation Committee.

If any other matter is presented, your proxy will vote in accordance with the recommendation of the Board of Directors, or, if no recommendation is given, in their own discretion. At the time this proxy statement went to press, we knew of no matters which needed to be acted on at the meeting, other than those discussed in this proxy statement.

**How Many Votes Do I Have?**

Each share of common stock entitles you to one vote. The proxy card indicates the number of shares of common stock that you own. However, in the election of directors, you are entitled to cumulate your votes if you are present at the meeting, the nominee s(s ) name(s) have properly been placed in nomination, and a shareholder has given notice at the meeting prior to the actual voting of his intention to vote his shares cumulatively. Cumulative voting allows you to give one nominee as many votes as is equal to the number of directors to be elected, multiplied by the number of shares you own, or to distribute your votes in the same fashion between two or more nominees. CVB Financial Corp. s receipt of an executed proxy grants the Board of Directors the discretionary authority to also cumulate votes.

**May I Change My Vote After I Submit My Proxy Card?**

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised, if you file with CVB Financial Corp. s Secretary either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

**How Do I Vote in Person?**

If you plan to attend the meeting and vote in person, we will give you a ballot form when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a legal proxy from your broker, bank or other nominee to vote the shares at the meeting.

**What Vote Is Required for Each Proposal?**

The eight nominees for director who receive the most votes will be elected. So, if you do not vote for a particular nominee, or you indicate WITHHOLD AUTHORITY TO VOTE for a particular nominee on your proxy card, your vote will not count either FOR or AGAINST the nominee. Ratification of the appointment of our auditors and approval of the compensation of our named executive officers requires the approval of a majority of the votes represented and voting at the meeting, with affirmative votes constituting at least a majority of the required quorum.

**Table of Contents**

**Who are Shareholders of Record Versus Beneficial Owners?**

If your shares are registered directly in your name with our transfer agent, Computershare, you are considered the shareholder of record. CVB Financial Corp. has sent the notice of annual meeting, proxy statement, our Annual Report, our Annual Report on Form 10-K, and proxy card directly to you.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. Your broker, bank or other holder of record, who is considered the shareholder of record with respect to those shares, has forwarded the notice of annual meeting, proxy statement, our Annual Report, our Annual Report on Form 10-K, and proxy card directly to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing.

**What Constitutes a Quorum?**

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting the conduct of business at the meeting. Shares that are voted FOR , AGAINST or ABSTAIN in a matter are treated as being present at the meeting for purposes of establishing the quorum, but only shares voted FOR or AGAINST are treated as shares represented and voting at the Annual Meeting with respect to such matter.

**How Are Broker-Non-votes and Abstentions Treated?**

Proposal 2 and Proposal 3 each require for approval (i) the affirmative vote of a majority of the shares represented and voting, and (ii) the affirmative vote of a majority of the required quorum.

Broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

If you are a beneficial owner, but have not given voting instructions to your bank, broker or other holder of record, that holder is still permitted to vote your shares on the election of directors, the ratification of KPMG, LLP as our independent registered public accounting firm, and the proposal relating to the compensation of our named executive officers. Abstentions will have no effect on Proposal 2 or Proposal 3, unless there are insufficient votes in favor of such proposals, such that the affirmative votes constitute less than a majority of the required quorum. In such cases, abstentions will have the same effect as a vote against such proposal.

**What Are the Costs of Solicitation of Proxies?**

We will bear the costs of this solicitation, including the expense of preparing, assembling, printing and mailing this proxy statement and the material used in this solicitation of proxies. The proxies will be solicited principally through the mails, but CVB Financial Corp. s directors, officers and regular employees may solicit proxies personally or by telephone. Although there is

**Table of Contents**

no formal agreement to do so, we may reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expense in forwarding these proxy materials to their principals. In addition, we may pay for and utilize the services of individuals or companies we do not regularly employ in connection with the solicitation of proxies.

**Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting  
of Shareholders to be held on May 13, 2009**

The proxy statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2008, are available on our website at [www.cbcbank.com](http://www.cbcbank.com) under the tab CVB Investors and then Documents.

**STOCK OWNERSHIP**

**Who Are the Largest Owners of CVB Financial Corp. s Stock?**

The following table shows the beneficial ownership of common stock as of March 17, 2009, by those persons we know to be the beneficial owners of more than 5% of the outstanding shares of common stock based on information those persons have filed with the Securities and Exchange Commission on Schedule 13G. Beneficial ownership is a technical term broadly defined by the Securities and Exchange Commission to mean more than ownership in the usual sense. So, for example, you beneficially own CVB Financial Corp. s common stock not only if you hold it directly, but also if you indirectly, through a relationship, contract or understanding, have, or share, the power to vote the stock, to sell it or you have the right to acquire it within 60 days of March 17, 2009. All of our outstanding shares of Series B Preferred Stock are held by the United States Government, Department of Treasury ( U.S. Treasury ):

| Name  | Address  | Common Stock<br>Beneficially Owned |                     |
|---|--|------------------------------------|---------------------|
|   |  | Number<br>of Shares <sup>(1)</sup> | Percent<br>of Class |
| George A. Borba<br>(through the George<br>Borba Family Trust) | c/o Citizens Business Bank<br>701 N. Haven Avenue<br>Ontario, CA 91764 | 11,565,304                         | 13.88%              |
| John Vander Schaaf  | c/o Citizens Business Bank<br>701 N. Haven Avenue<br>Ontario, CA 91764 | 4,224,445                          | 5.07%               |

(1) Includes 53,969 shares  
Mr. Borba has the right to acquire within 60 days after March 17, 2009.

**Table of Contents****How Much Stock Do CVB Financial Corp. s Directors and Officers Own?**

The following table shows the beneficial ownership of CVB Financial Corp. s common stock as of the record date by (i) our Chief Executive Officer and President; (ii) those serving as our executive officers in 2008 and 2009; (iii) each director, all of whom are also nominees for director and (iv) by all directors and current executive officers as a group.

| <b>Name</b>   | <b>Common Stock<br/>Beneficially Owned</b> |  |
|---|--|--|
|   | <b>Number<br/>of Shares <sup>(1)</sup></b> | <b>Percent<br/>of Class <sup>(2)</sup></b> |
| George A. Borba <sup>(3)</sup><br>Chairman of the Board and Nominee                             | 11,565,304                                 | 13.88%                                     |
| John A. Borba <sup>(4)</sup><br>Director and Nominee  | 2,039,316                                  | 2.44%                                      |
| Ronald O. Kruse <sup>(5)</sup><br>Director and Nominee  | 1,795,882                                  | 2.15%                                      |
| Robert M. Jacoby <sup>(6)</sup><br>Director and Nominee   | 18,012                                     | *  |
| Christopher D. Myers <sup>(7)</sup><br>President, Chief Executive Officer, Director and Nominee | 105,000                                    | *  |
| James C. Seley <sup>(8)</sup><br>Director and Nominee   | 357,825                                    | *  |
| San E. Vaccaro <sup>(9)</sup><br>Director and Nominee   | 498,536                                    | *  |
| D. Linn Wiley <sup>(10)</sup><br>Director and Nominee   | 454,751                                    | *  |
| Edward J. Biebrich, Jr. <sup>(11)</sup><br>Executive Vice President and Chief Financial Officer | 229,437                                    | *  |
| Jay W. Coleman <sup>(12)</sup><br>Executive Vice President                                      | 387,404                                    | *  |
| James F. Dowd<br>Executive Vice President   | 5,000                                      | *  |
| Todd E. Hollander<br>Executive Vice President   | 5,000                                      | *  |
| Edward J. Mylett <sup>(13)</sup><br>Former Executive Vice President                             | 22,756                                     | *  |
| Chris A. Walters <sup>(14)</sup><br>Executive Vice President                                    | 4,500                                      | *  |
| Current Directors and Executive Officers as a Group<br>(14 persons) <sup>(15)</sup>             | 17,488,723                                 | 20.78%                                     |

\* Less than 1%.

**Table of Contents**

- (1) Except as otherwise noted below, each person directly or indirectly has sole or shared voting and investment power (as community property and/or with such person's spouse) with respect to the shares listed.
- (2) The percentage for each of these persons or group is based upon the total number of shares of CVB Financial Corp.'s common stock outstanding as of March 17, 2009, plus the shares which the respective individual or group has the right to acquire within 60 days after March 17, 2009, by the exercise of stock options.
- (3) Includes 53,969 shares which Mr. Borba may acquire within 60 days after March 17, 2009, by the exercise of stock options.
- (4)

Includes  
135,208 shares  
which  
Mr. Borba may  
acquire within  
60 days after  
March 17, 2009,  
by the exercise  
of stock options.

(5) Includes  
115,208 shares  
which  
Mr. Kruse may  
acquire within  
60 days after  
March 17, 2009,  
by the exercise  
of stock options.

(6) Includes 11,000  
shares which  
Mr. Jacoby may  
acquire within  
60 days after  
March 17, 2009,  
by the exercise  
of stock options.

(7) Includes 22,000  
shares which  
Mr. Myers can  
acquire within  
60 days after  
March 17, 2009,  
by the exercise  
of stock options.

(8) Includes  
243,158 shares  
which Mr. Seley  
may acquire  
within 60 days  
after March 17,  
2009, by the  
exercise of  
stock options.

(9) Includes 53,969  
shares which  
Mr. Vaccaro

may acquire  
within 60 days  
after March 17,  
2009, by the  
exercise of  
stock options.

(10) Includes 79,751  
shares which  
Mr. Wiley may  
acquire within  
60 days after  
March 17, 2009,  
by the exercise  
of stock options.

(11) Includes  
118,508 shares  
which  
Mr. Biebrich  
may acquire  
within 60 days  
after March 17,  
2009, by the  
exercise of  
stock options.

(12) Includes 36,299  
shares which  
Mr. Coleman  
may acquire  
within 60 days  
after March 17,  
2009, by the  
exercise of  
stock options.

(13) Includes 22,206  
shares which  
Mr. Mylett may  
acquire within  
60 days after  
March 17, 2009,  
by the exercise  
of stock options.

(14) Includes 2,000  
shares which  
Mr. Walters  
may acquire  
within 60 days



after March 17, 2009, by the exercise of stock options.

- (15) Includes 893,276 shares which members of the group may acquire within 60 days after March 17, 2009, by the exercise of stock options.

#### **CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS**

The Board of Directors is committed to good business practices, transparency in financial reporting and the highest level of corporate governance. To that end, the Board of Directors has adopted Corporate Governance Guidelines, which among other things, provide for:

At least a majority of independent directors;

Audit, compensation and nominating/corporate governance committees consisting solely of independent directors;

Periodic executive sessions of non-management directors;

An annual self-evaluation process for the Board of Directors and its committees;

**Table of Contents**

Ethical conduct of directors;

Director access to officers and employees;

Director access to independent advisors;

Periodic review of a management succession plan; and

Methodology for reporting concerns to non-employee directors or the Audit Committee.

A copy of our Corporate Governance Guidelines is available on our website at [www.cbbank.com](http://www.cbbank.com) under the tab CVB Investors and then Governance Documents.

**Board Selection Process**

We have established a Nominating and Corporate Governance Committee. This committee assists the Board of Directors in director selection, as well as review and consideration of developments in corporate governance practices. This committee also recommends to the Board of Directors director nominees for each Board of Directors committee, and reviews director candidates submitted by shareholders. The Nominating and Corporate Governance Committee is responsible for annually reviewing and evaluating with the Board of Directors the appropriate skills and characteristics required of members of the Board of Directors in the context of the current composition of the Board of Directors and our goals for nominees to the Board of Directors, including nominees who are current members of the Board of Directors. The Nominating and Corporate Governance Committee has the authority to utilize third party providers, as appropriate, to assist it in fulfilling its Board of Directors selection function.

In identifying and evaluating nominees for director, the goals of the Nominating and Corporate Governance Committee include maintaining a strong and experienced Board of Directors by continually assessing the Board of Directors business background, current responsibilities, community involvement, independence, commitment to CVB Financial Corp. (including meaningful ownership of our common stock with a market value of at least \$100,000) and time available for service. Other important factors the Nominating and Corporate Governance Committee will consider in evaluating nominees include current knowledge and contacts in CVB Financial Corp.'s industry and other industries relevant to CVB Financial Corp.'s business, ability to work together with other members of the Board of Directors and ability to commit adequate time to serve as a director.

All of the current nominees were elected at the 2008 Annual Meeting of Shareholders.

**Consideration of Shareholder Nominees**

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board of Directors. In evaluating nominees, the Nominating and Corporate Governance Committee will look at the same factors described under the heading Board Selection Process that it uses for nominees which come to its attention from persons other than the Board of Directors.

Recommendations must be submitted in writing to the attention of the Chair of the Nominating and Corporate Governance Committee at the following address:

**Table of Contents**

CVB Financial Corp.  
701 N. Haven Avenue, Suite 350  
Ontario, California 91764

Shareholders should include in such recommendation, (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of voting stock of CVB Financial Corp. owned by each proposed nominee and the notifying shareholder; (d) the name and residence address of the notifying shareholder; and (e) a letter from the proposed nominee indicating that such proposed nominee wishes to be considered as a nominee for the CVB Financial Corp. Board of Directors and will serve as a member of the CVB Financial Corp. Board of Directors if elected. In addition, each recommendation must set forth in detail the reasons why the notifying shareholder believes the proposed nominee meets the criteria set forth in the Nominating and Corporate Governance Committee Charter for serving on CVB Financial Corp. s Board of Directors.

In addition, our Bylaws permit shareholders to nominate directors for consideration at an annual meeting. For a description of the process, see the Notice of 2009 Annual Meeting of Shareholders included herein.

**Executive Sessions**

Executive sessions of independent directors are held at least three times a year. The person who presides at these meetings is chosen by the independent directors.

**Attendance at Annual Meetings**

The Board of Directors encourages all of its members to attend the Annual Meeting of Shareholders. All of our then serving directors attended the 2008 Annual Meeting of Shareholders.

**Communications with the Board of Directors**

Shareholders wishing to contact CVB Financial Corp. s Board of Directors, including a committee of the Board of Directors, may do so by writing to the following address to the attention of the Board of Directors or a committee of the Board of Directors at:

Board of Directors  
CVB Financial Corp.  
701 North Haven Avenue, Suite 350  
Ontario, California 91764

Confidential communications may also be sent to the above address. All communications sent to the Board of Directors will be communicated with the entire Board of Directors unless the Chairman of the Board reasonably believes communication with the entire Board of Directors is not appropriate or the communication is intended only for a specific committee.

**Table of Contents**

CVB Financial Corp. s Corporate Secretary keeps a log of all communications sent to the Board of Directors or its committees. This log is available for inspection by the members of the Board of Directors.

**Table of Contents**

**DISCUSSION OF PROPOSALS RECOMMENDED BY THE BOARD**  
**PROPOSAL 1**  
**ELECTION OF DIRECTORS**

We have nominated eight directors for election at the annual meeting, which is the number fixed for the election of directors.

We will nominate the persons named below, all of whom are present members of CVB Financial Corp.'s Board of Directors, for election to serve until the 2010 Annual Meeting of Shareholders and until their successors have been elected and qualified. Each of these persons is also a member of the Board of Directors of our principal subsidiary, Citizens Business Bank. With the exception of Mr. Wiley and Mr. Myers, each of these directors is independent within the meaning of the rules and regulations promulgated by the Nasdaq Stock Market and has been determined to be independent by our Nominating and Corporate Governance Committee. The Board of Directors will cast its votes to effect the election of these nominees. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board of Directors.

**The Nominees**

The directors standing for reelection are:

| Name and Position  | Principal Occupation<br>For Past Five Years  | Age | Year First Elected<br>or Appointed<br>a Director |
|--|--|-----|--|
| George A. Borba <sup>(1)</sup><br>Chairman of the Board                    | Dairy Farmer, George Borba<br>& Son Dairy  | 76  | 1981   |
| John A. Borba <sup>(1)</sup><br>Director                                   | Dairy Farmer, John Borba &<br>Sons   | 81  | 1981   |
| Robert M. Jacoby, C.P.A.<br>Director                                       | Certified Public Accountant  | 67  | 2005   |
| Ronald O. Kruse<br>Vice Chairman of the Board and<br>Director              | Chairman, Kruse Investment Co., Inc. and<br>Feed Commodities, LLC  | 70  | 1981   |
| Christopher D. Myers<br>President, Chief Executive<br>Officer and Director | Former Chairman and Chief Executive<br>Officer of Mellon First Business Bank until<br>2006                       | 46  | 2006   |
| James C. Seley<br>Director   | Partner, Seley & Co. (commodity merchant)  | 67  | 1996   |
| San E. Vaccaro<br>Director   | Attorney   | 76  | 1999   |
| D. Linn Wiley<br>Vice Chairman of the Board and<br>Director                | President and Chief Executive Officer, CVB<br>Financial Corp. and Citizens Business Bank<br>until August 1, 2006 | 70  | 1991   |

(1) George A. Borba and John A. Borba are brothers.

**Table of Contents**

Biographical information about all of our executive officers is contained under Item 4A of our Annual Report on Form 10-K, a copy of which is being mailed with this proxy statement and which is available on the Securities and Exchange Commission's website at <http://www.sec.gov> and our website at [www.cbbank.com](http://www.cbbank.com) under the tab CVB Investors and then Documents.

**The Board of Directors and Committees**

The Board of Directors oversees our business and affairs. The Board of Directors also has three standing committees: an Audit Committee, a Nominating and Corporate Governance Committee, and a Compensation Committee.

**The Number of Meetings Attended**

During 2008, CVB Financial Corp.'s Board of Directors held 12 meetings, and the Board of Directors of Citizens Business Bank held 13 meetings. All of the directors of CVB Financial Corp. and Citizens Business Bank during 2008 attended at least 75% of the aggregate of (i) the total number of CVB Financial Corp. and Citizens Business Bank Board meetings and (ii) the total number of meetings held by all committees of the Board of Directors of CVB Financial Corp. or Citizens Business Bank on which he served during 2008.

**Audit Committee**

The Audit Committee of the Board of Directors is composed of Messrs. John Borba (Chairman), Robert Jacoby, Ronald Kruse, James Seley, and San Vaccaro. The Audit Committee operates under a written charter, adopted by the Board of Directors, which is available on our website at [www.cbbank.com](http://www.cbbank.com) under the tab CVB Investors and then Governance Documents. The Audit Committee is a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. Each of the members of the Audit Committee is independent within the meaning of the rules and regulations of the Nasdaq Stock Market.

The purpose of the Audit Committee is to oversee and monitor (i) the integrity of our financial statements and our systems of internal accounting and financial controls; (ii) our compliance with applicable legal and regulatory requirements; (iii) our independent auditor qualifications and independence; and (iv) the performance of our internal audit function and independent auditors. The Board of Directors has determined that Mr. Jacoby and Mr. Vaccaro are audit committee financial experts within the meaning of the rules and regulations of the Securities and Exchange Commission.

The Audit Committee has sole authority to appoint or replace the independent auditors (including oversight of audit partner rotation). The Audit Committee is also directly responsible for the compensation and oversight of the work of the independent auditors. Our independent auditors report directly to the Audit Committee. Among other things, the Audit Committee prepares the audit committee report for inclusion in the annual proxy statement, reviews and discusses with management and the independent auditor our independent certified audits; reviews and discusses with management and the independent auditor quarterly and annual

**Table of Contents**

financial statements; reviews the adequacy and effectiveness of our disclosure controls and procedures; approves all auditing and permitted non-auditing services; reviews significant findings by bank regulators and management's response thereto; establishes procedures to anonymously and confidentially handle complaints we receive regarding auditing matters and accounting and internal accounting controls; and handles the confidential, anonymous submission to it by our employees of concerns regarding accounting or auditing matters. The Audit Committee also has authority to retain independent legal, accounting and other advisors as the Audit Committee deems necessary or appropriate to carry out its duties. The Audit Committee held 12 meetings during 2008, plus 4 special meetings for the purpose of reviewing Securities and Exchange Commission filings and appointing our auditing firm.

The report of the Audit Committee is included below.

**Audit Committee Report**

*The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our other filings under the Securities Act of 1933 or under the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this Report by reference.*

The Audit Committee reports to the Board of Directors and is responsible for overseeing and monitoring financial accounting and reporting, the system of internal controls established by management and the audit process of CVB Financial Corp. The Audit Committee manages CVB Financial Corp.'s relationship with its independent auditors (who report directly to the Audit Committee).

In discharging its oversight responsibility, the Audit Committee has met and held discussions with management and KPMG, LLP, the independent auditors for CVB Financial Corp., regarding the audited consolidated financial statements. Management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (*Communications with Audit Committees*).

The Audit Committee also has received the written disclosures and the letter from the independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence. The Audit Committee discussed with the independent auditors the auditors' independence and satisfied itself as to the auditors' independence.

Based on these discussions and reviews, the Audit Committee recommended that the Board of Directors approve the inclusion of CVB Financial Corp.'s audited consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2008, for filing with the Securities and Exchange Commission.

**Table of Contents**

Respectfully submitted by the members of the Audit Committee of the Board of Directors:

Dated: March 17, 2009

**THE AUDIT COMMITTEE**

JOHN A. BORBA, Chairman

ROBERT M. JACOBY, C.P.A.

RONALD O. KRUSE

JAMES C. SELEY

SAN E. VACCARO

**Nominating and Corporate Governance Committee**

The Board of Directors has a Nominating and Corporate Governance Committee consisting of Messrs. George Borba (Chairman), John Borba, Robert Jacoby, Ronald Kruse, James Seley, and San Vaccaro. Each of the members of the Nominating and Corporate Governance Committee is independent within the meanings of the rules and regulations of the Nasdaq Stock Market.

As set forth above, the Nominating and Corporate Governance Committee:

assists the Board of Directors by identifying individuals qualified to become members of the Board of Directors;

recommends to the Board of Directors the director nominees for the next annual meeting;

recommends to the Board of Directors director nominees for each committee; and

develops and recommends a set of corporate governance principles applicable to CVB Financial Corp.

Other specific duties and responsibilities of the Nominating and Corporate Governance Committee include: retaining and terminating any search firm to identify director candidates; receiving communications from shareholders regarding any matters of concern; recommending to the Board directors for each committee; and reviewing and reassessing the adequacy of its charter and its own performance on an annual basis. The procedures for nominating directors, other than by the Board of Directors itself, are set forth in the bylaws and reprinted in the Notice of Annual Meeting of Shareholders. The charter of the Nominating and Corporate Governance Committee is available on our website at [www.cbbank.com](http://www.cbbank.com) under the tab CVB Investors and then Governance Documents. The Nominating and Corporate Governance Committee held 1 meeting during 2008.

**Compensation Committee**

The Compensation Committee of the Board of Directors of CVB Financial Corp. (the Compensation Committee ) has overall responsibility for overseeing our compensation and employee benefit plans and practices, including our executive compensation plans and our incentive compensation and equity-based plans. This committee is composed of Messrs. George Borba (Chairman), John Borba, Robert Jacoby, Ronald Kruse, James Seley, and San Vaccaro.



**Table of Contents**

Each of the members of the Compensation Committee is independent within the meaning of the rules and regulations of the Nasdaq Stock Market. During the year, meetings are scheduled quarterly, but are held at other times as needed. During 2008, the Compensation Committee met 13 times. The meetings are set up by the Corporate Secretary in conjunction with the Chairman of the Compensation Committee. The Chief Executive Officer and the Chief Financial Officer provide input on the agendas.

The Compensation Committee has a charter, which can be found on CVB Financial Corp.'s website, [www.cbbank.com](http://www.cbbank.com), under the tab "CVB Investors" and then "Governance Documents." This charter is reviewed annually with input from our outside counsel and may be changed to keep abreast of current regulations and changes in duties.

The Compensation Committee has the responsibility for the total compensation of directors, our Chief Executive Officer, Chief Financial Officer, the other three most highly-compensated executive officers (with our Chief Executive Officer and Chief Financial Officer, the "named executive officers"), and all other officers and non-officers in CVB Financial Corp. The Compensation Committee has the authority to consult and retain internal and external advisors as needed.

The Compensation Committee has, in the past, selected and worked with independent compensation consulting firms, such as Semler Brossy Consulting Group and Mercer, as appropriate to evaluate its executive compensation program in light of the marketplace to make sure the program is competitive. Such consultations include an evaluation of the competitiveness of our branch managers' and executive officers' salaries, bonuses, benefits and employment agreement arrangements as compared to a peer-group of similarly sized, high-performing regional commercial banking organizations. In 2007, the Compensation Committee authorized an engagement with Mercer to establish a comprehensive incentive compensation structure for sales producing officers. This engagement included a study comparing our structure with the structures of similarly sized financial services institutions. The Compensation Committee did not engage an outside consulting firm for the purpose of establishing 2008 base salaries. Instead, the Compensation Committee considered the results of the 2007 Mercer study and gave merit increases over 2007 base salaries, taking into account each executive's job responsibilities. The Compensation Committee intends to use outside consultants on a periodic basis to recommend the amount or form of executive or director compensation.

The Compensation Committee may delegate its authority to others within the organization if it deems necessary, but has not done so. Our Chief Executive Officer, Chief Financial Officer, and Human Resources Director participate, when requested to do so, in determining or recommending the amount or form of executive and director compensation (except with respect to their own compensation).

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Objectives and Philosophy of Our Compensation Program**

We provide what we consider to be a comprehensive compensation package comprised of salary, an annual cash incentive plan, long-term equity compensation plan, profit sharing plan, deferred compensation program and health and welfare benefits. We have adopted a basic philosophy and practice of offering a compensation program designed to attract and retain highly qualified employees. We believe our compensation practices encourage and motivate these individuals to achieve superior performance on both a short-term and long-term basis. This underlying philosophy pertains specifically to executive compensation as well as employee compensation at all other levels throughout our organization.

Our compensation is designed to achieve the following objectives:

Attract and retain talented and experienced executives;

Provide a base salary that is competitive in our industry;

Align the interest of our executives with those of our shareholders by having our cash-based incentive compensation based, in part, on increasing growth in shareholder value; and

Offer equity-based compensation that reflects the growth in our stock value and thus, in shareholder value.

Our compensation program is designed to reward employees for meeting our corporate objectives. Our goal is to have a level of earnings growth and a return on equity consistent with enhancing shareholder value. These elements are at the core of our cash based bonus program.

**Review of our Compensation Program with our Senior Risk Officers and impact of EESA and ARRA**

In December, 2008, we participated in the U.S. Treasury's capital purchase program (the Capital Purchase Program). As part of this program, we sold 130,000 shares of our preferred stock and a warrant to purchase additional shares of our common stock for an aggregate purchase price of \$130.0 million dollars. As a condition to participation in this program, on February 18, 2009, the Compensation Committee reviewed with our senior risk officers, our incentive compensation arrangements to ensure that such arrangements did not encourage our senior executive officers to take unnecessary and excessive risks that threaten the value of CVB Financial Corp. As part of this process, each incentive compensation arrangement was closely reviewed, and our senior risk officers and Compensation Committee engaged in an active discussion reviewing each of the components of our incentive compensation program, including the operation of our equity incentive plan and our cash-based performance compensation plans, and how any features of such compensation arrangements could lead the senior executives to take any unnecessary risks. The Compensation Committee determined that annual bonuses based upon the achievement of certain performance objectives, specifically loan and deposit growth, earnings growth, fee income, and return on equity, pose the risk of incentivizing

**Table of Contents**

executives to take actions that may not necessarily be in the best interests of the shareholders of Citizens Business Bank. For example, there is a risk that, in order to improve operating results, executives may approve loans which do not meet our underwriting standards, inflate the interest rates paid on deposits, and/or over-record fee income. The Compensation Committee has mitigated these risks by, among other things, regularly conducting careful reviews of underwriting standards, reviewing financial statements which show interest rates paid on deposits and the amount of fee income received, and by requiring all aspects of Citizen Business Bank's major banking relationships (those over \$7 million) to be reviewed and approved/declined by the Loan Committee of our Board of Directors.

Solely to the extent, and for the period, required by the provisions of Section 111 of the Emergency Economic Stabilization Act of 2008 ( EESA ) as amended by the American Recovery and Reinvestment Act of 2009 ( ARRA ) applicable to participants in the Capital Purchase Program as of February 2009:

(a) each of our named executive officers is ineligible to receive compensation to the extent that our Compensation Committee determines that any of our compensation arrangements encourage us to take unnecessary and excessive risks that threaten the value of CVB Financial Corp. during the period in which any obligation arises from financial assistance provided pursuant to the Capital Purchase Program;

(b) each named executive officer (and any of our next 20 most highly-compensated employees) shall be required to forfeit any bonus, retention award or incentive compensation paid to the named executive officer during the period that the U.S. Treasury holds a debt or equity position in CVB Financial Corp. based on statements of earnings, revenue, gains, or other criteria that are later proven to be materially inaccurate;

(c) we are prohibited from paying any golden parachute payment to any named executive officer (and any of the next 5 of our most highly-compensated employees) during the period in which the U.S. Treasury holds a debt or equity position in CVB Financial Corp. Golden parachute payment is broadly defined in ARRA as any payment to a named executive officer for departure from a company for any reason, except for payments for services performed or benefits accrued; and

(d) we are prohibited from paying or accruing any bonus, retention award, or incentive compensation for at least our five most highly-compensated employees during the period in which any obligation arising from financial assistance provided under the U.S. Treasury's Troubled Assets Relief Program ( TARP ) remains outstanding, except that this prohibition shall not apply to the payment of long-term restricted stock which does not fully vest during the period the U.S. Treasury holds our debt or equity securities and has a value which cannot exceed more than one-third of the total amount of annual compensation of the executive receiving the stock.

Our Compensation Committee intends to administer all of CVB Financial Corp.'s compensation arrangements consistent with the limitations imposed by EESA, as amended by ARRA.

**Table of Contents**

**Methodologies for Establishing Compensation**

In determining the appropriate compensation levels for our Chief Executive Officer, the Compensation Committee meets outside the presence of all of our executive officers. With respect to the compensation of all of our other named executive officers, the Compensation Committee meets outside the presence of all executive officers, other than, as requested, our Chief Executive Officer, our Chief Financial Officer and our Human Resources Director. The Compensation Committee reviews and approves any salary increases for all officers including the named executive officers in March and all non-officers in June, and responds to salary recommendations from our named executive officers for all officers (other than the named executive officers) and non-officers.

With the input of our Human Resources Department, the Chief Executive Officer (other than with respect to his own compensation) makes recommendations to the Compensation Committee regarding base salary levels, performance goals, bonuses and equity incentive awards for our named executive officers (other than our Chief Executive Officer). The Compensation Committee determines each element of compensation for the Chief Executive Officer. Each year, our Human Resources Director coordinates a written performance evaluation on every employee. These reviews are based on stated objectives for the employee and how the results of their performance compare with those objectives. The results of these evaluations, along with the recommended salary increase, are presented to the Compensation Committee for its review and approval.

In January of each year, the Compensation Committee determines bonus payments under the prior year's performance compensation plan, and in April of each year, the Compensation Committee determines target amounts and performance criteria for the current year's performance compensation plan. The Compensation Committee similarly determines equity incentive awards for each of the named executive officers, generally in June of even numbered years.

**Table of Contents****Summary of Components of Compensation**

The following table outlines our various compensation plans. We feel these compensation components are consistent with meeting our objectives. The allocation between cash and non-cash compensation is based on the Compensation Committee's determination of the appropriate mix among base pay, annual cash incentives and long-term equity incentives to encourage retention and performance.

| Component             | Characteristics   | Purpose   |
|-----------------------|---|---|
| Base Salary           | Each executive officer is eligible for an annual increase in April based on performance. This is a fixed cash compensation.   | To compensate our officers at a level that is competitive in the industry. This will help us attract and retain highly qualified executives.  |
| Bonus                 | Paid based on CVB Financial Corp. attainment of a stipulated return on equity. Some bonuses may also be paid, at the discretion of the Compensation Committee, if the stipulated return on equity is not attained. Individual executives have additional performance criteria based on their positions with CVB Financial Corp. | The bonus element serves to reward executives when CVB Financial Corp. meets its return on equity objective and when they meet and exceed the current year's objectives, adding to shareholder value.   |
| 401(k) Profit Sharing | This has two components: (i) 401(k) to which CVB Financial Corp. places a fixed amount and the executive can add to it, (ii) the profit sharing is paid to all plan participants including named executive officers. Contributions are at the discretion of the Compensation Committee and may be up to 5% of salary and bonus. | The 401(k) assists the executive in saving for retirement. The profit sharing portion allows the executive to share in the profits of CVB Financial Corp. and, since the money goes into a retirement plan, it also assists the executive in saving for retirement.       |
| Restricted Stock      | Awarded bi-annually in even numbered years to selected officers, including named executive officers, based on position and performance. Recipients do not have to outlay any additional cash to acquire the stock.  | Restricted stock allowed us to recruit our Chief Executive Officer and permits all recipients to share in the long-term appreciation of CVB Financial Corp.'s stock with less dilution to our shareholders. Restricted stock is subject to time-based vesting provisions. |
| Stock Options         | Awarded bi-annually in even numbered years to selected officers, including named executive officers, based on position and performance.   | Stock options allow the executive to share in the long-term appreciation of CVB Financial Corp.'s stock. This aligns the compensation of the executive with the interests of our  |

shareholders.

|                             |   |   |
|-----------------------------|---|---|
| Deferred Compensation       | Plans available to our Chief Executive Officer and other senior officers.   | Allows for the tax deferral of compensation and growth of deferred amounts (including, in the case of our Chief Executive Officer only, a guaranteed rate of return of 6%). |
| Health and Welfare Benefits | These are the same benefits as offered to the total employee base; including medical, dental, vision, life and disability insurance. The named executive officers pay a portion of the costs in the same manner as all employees. | These benefits assist the employee in meeting the basic health and welfare needs of the executive and the executive's family.   |

**Base Salary**

It is our philosophy that employees be paid a base salary that is competitive with the salaries paid by comparable organizations and to guarantee the recipient a fixed amount. We predicate the base salary on the executive's ability, experience and past and potential

**Table of Contents**

performance and contribution to CVB Financial Corp. and Citizens Business Bank. On an annual basis, we evaluate and adjust each executive's base salary and incentive compensation, if appropriate, based on salary surveys, comparable salary information and other considerations. Our Human Resources Department gathers this information to analyze appropriate salary levels for our named executive officers as well as all of our other employees. Each year we establish a pool for base salary increases and award the percentage increases to each employee based on his or her job performance. For 2008, the increases in base salary for each of our named executive officers ranged between 0% and 9.1%, with an average increase of 3.7%. These increases were based on a review of the overall performance of Citizens Business Bank, individual performance in 2008, and the respective job responsibilities of each of our named executive officers.

**Competitive Benchmarking**

Our goal is to establish base salaries in the 75<sup>th</sup> percentile of the salary ranges in the marketplace. The base salary range is determined, in part, through our analysis of salary surveys from the California Bankers Association and the Salary Information Retrieval System survey prepared by Organization Resource Counselors, Inc. as well as our review of proxy statements for banks and holding companies in California. Although we look at a wide range of companies in evaluating our base salary ranges, we focus our analysis on banks and bank holding companies located in California between \$1 and \$15 billion in assets, including the following:

| Company Name               | Total Assets<br>2007 FY<br><i>(in thousands)</i> |
|----------------------------|--|
| City National Corporation  | \$15,889,290                                     |
| East West Bancorp, Inc.    | 11,852,212                                       |
| Pacific Capital Bancorp    | 7,374,346  |
| First Community Bancorp    | 5,179,040  |
| Westamerica Bancorporation | 4,558,959  |
| PFF Bancorp, Inc.          | 4,553,527  |
| Vineyard National Bancorp  | 2,483,279  |
| Capital Corp. of the West  | 2,108,739  |
| Temecula Valley Bancorp    | 1,318,525  |

These banking institutions have similar business model concentrations in wealth management and consumer and commercial loans and operate within CVB Financial Corp.'s geographic region. Data analyzed by the Compensation Committee included total assets, asset growth, return on average assets, return on average equity, net interest margin, efficiency ratio, core earnings per share growth, total three-year returns and number of branches.

The Compensation Committee believes that surveying measures such as base salaries, cash compensation and total compensation paid by companies in the above peer group can serve as a useful comparative tool. On the other hand, the Compensation Committee recognizes that executives in different companies can play significantly different roles, even though they may hold the same nominal positions. Moreover, it is not possible to determine from the available information about peer group compensation anything relating to the respective qualitative factors that may influence compensation, such as the performance of individual executives or their

**Table of Contents**

perceived importance to their companies' business. The Compensation Committee looked to information with respect to the above companies only as a guide to setting compensation rather than as formal benchmarking.

**Annual Cash Bonuses**

We have a performance-based compensation plan for our executives – the Executive Incentive Plan – and we also grant discretionary cash bonuses if our Compensation Committee determines that such discretionary bonuses are appropriate under the circumstances.

*Performance-Based Compensation*

The Executive Incentive Plan is administered in conjunction with our discretionary performance compensation plan (collectively, the Performance Compensation Plan), which we adopt each year. The Performance Compensation Plan rewards executives for outstanding performance provided to CVB Financial Corp. In addition, by linking the executive's overall compensation to established performance goals, we are able to hold the executives accountable for their individual performances and CVB Financial Corp.'s corporate financial performance. The Compensation Committee has the sole discretion to determine the standard or formula pursuant to which each participant's bonus shall be calculated, whether all or any portion of the amount so calculated will be paid, and the specific amount (if any) to be paid to each participant, subject in all cases to the terms, conditions, and limits of the Performance Compensation Plan and of any other written commitment authorized by the Compensation Committee. At the end of each calendar year, the Compensation Committee determines the amount of the Performance Compensation Plan awards and the extent to which performance bonuses are payable for such year.

For 2008, bonus compensation was based on a minimum return on CVB Financial Corp.'s equity of 15%. We chose this minimum return, since we believed it was achievable as a result of our achievement of a minimum return on equity in excess of 15% for each of the last four years prior to the 2008 fiscal year. Because our actual return on equity for 2008 was 13.75%, below the 15% required in order for bonuses to be paid under the Performance Compensation Plan, no bonuses were paid under this Performance Compensation Plan.

The purpose of the following discussion is to explain and illustrate the manner in which the Performance Compensation Plan operates even though no payments were made under the Performance Compensation Plan for 2008, because the Performance Compensation Plan is -

---

|                     |        |
|---------------------|--------|
| CASH, END OF PERIOD | \$     |
|                     | 16,214 |
|                     | \$     |
|                     | 31,367 |
|                     | \$     |
|                     | 16,214 |

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Supplemental disclosures:

Interest paid

\$



|            |     |
|------------|-----|
|            | -   |
|            | \$  |
|            | 590 |
|            | \$  |
|            | 590 |
| Taxes paid |     |
|            | \$  |
|            | -   |
|            | \$  |
|            | -   |
|            | \$  |
|            | -   |

The accompanying independent auditor's report and notes to the financial statements should be read in conjunction with these Statement of Cash Flows.

F-5

- 30 -

**MARINE JET TECHNOLOGY CORP.**  
**(A Development Stage Company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2002**

**NOTE 1 - ORGANIZATION AND BACKGROUND**

Marine Jet Technology, Corp. (a U.S. Operating Company and Nevada corporation) incorporated on February 9, 2000. The company was formed to develop and market a boat propulsion technology developed by the President of the Company. The Company currently has minimal operations and in accordance with SFAS #7, the Company is considered a development stage company.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements of Marine Jet Technology, Corp. have been prepared on the accrual basis. Revenues are recognized when earned and expenses are recognized in the period incurred. The fiscal year end is December 31.

Cash and cash equivalents

The Company considers short-term investments with an original maturity of three months or less to be cash equivalents.

Prepaid expenses

The Company amortizes prepaid expenses over a period equivalent to the term of commitment. Prepaid expenses for the periods ended December 31, 2002 and December 31, 2001 were \$405 and \$810, respectively.

Fixed assets

Fixed assets are recorded at cost. Ordinary maintenance and repairs are charged to expense as incurred and costs that materially increase the life of the assets are capitalized. Depreciation is recorded using the straight-line method over the estimated useful life of the assets, which are as follows:

|                         |         |
|-------------------------|---------|
| Office equipment        | 7 years |
| Equipment and machinery | 5 years |
| Computer equipment      | 5 years |
| Software                | 5 years |
| Office furniture        | 7 years |

Depreciation for the periods ended December 31, 2002, and December 31, 2001 was \$6,098 and \$2,035, respectively.

F-6

- 31 -

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MARINE JET TECHNOLOGY CORP.  
(A Development Stage Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS OF DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings Per Share Calculations

Basic earnings per common share ("EPS") are computed by dividing income available to common stockholders by the weighed-average number of common shares outstanding for the period. The weighed-average number of common shares outstanding for computing basic EPS was 20,732,570 for the periods ended December 31, 2002 and 2001. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. As of December 31, 2002 and 2001, the Company had no outstanding securities that could have a dilutive effect on the outstanding common stock, respectively.

Amortized Intangible assets

Intangible Assets are recorded at their historical cost. Amortization is recorded using the straight-line method over the estimated useful life of the assets, which are as follows:

|                              |             |
|------------------------------|-------------|
| Proprietary rights agreement | 14 years    |
| Patents                      | 13-14 years |

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Income taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109 (SFAS #109) "Accounting for Income Taxes" ("SFAS No. 109"), which require the use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in periods in which the deferred tax assets and liabilities are expected to be settled or realized.

F-7

- 32 -

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MARINE JET TECHNOLOGY CORP.  
(A Development Stage Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS OF DECEMBER 31, 2002

NOTE 3 - COMMITMENTS

The Company entered into a two-year lease agreement for office space and mail forwarding services for \$135 per month that ends on May 31, 2002. On July 18, 2001, the Company paid the lease in full.

NOTE 4 - AMORTIZED INTANGIBLE ASSETS

Proprietary Rights Agreement (non-cash transaction)

The Company has recorded the purchase of a proprietary rights agreement on May 18, 2000 from David Lyman, co-developer of the boat propulsion technology. The Company recorded the agreement for a consideration of 1,000,000 shares of \$0.001 par value stock of the Company, valued at \$1,000.

The Company has adopted SFAS 142. Under guidance from SFAS 142, Management has determined that the value of the proprietary rights agreement, purchased in May of 2000, has not significantly decreased and there has been no

reduction in the usefulness of the asset for the periods ended December 31, 2002 and December 31, 2001.

Patent Licensing Agreement

The Company has recorded the purchase of a patent licensing agreement using the seller's historical cost of \$55,238. The licensing agreement provides the company with proprietary, licensing, patent, marketing and other intellectual property rights related to the patents. The patents secure the rights to the development of marine jet propulsion technology used to provide more efficient inlet ducts, power transfer, and jet pump operation.

The Company has adopted SFAS 142. Under guidance from SFAS 142, Management has determined that as the major intangible asset, the value of the patent licensing agreement, purchased in April of 2000, has not significantly decreased and there has been no reduction in the usefulness of the asset for the periods ended December 31, 2002 and December 31, 2001.

Because the patents have not demonstrated their technological or commercial feasibility as of December 31, 2002 and December 31, 2001, and since significant risks exist because of uncertainties the Company may face in the form of time and costs necessary to produce technological and commercial feasibility, there is uncertainty that the Company will be able to realize any value from the intangible asset should the technology fail to become viable.

F-8

- 33 -

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MARINE JET TECHNOLOGY CORP.  
(A Development Stage Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS OF DECEMBER 31, 2002

NOTE 4 - AMORTIZED INTANGIBLE ASSETS (CONTINUED)

Amortized Intangible Assets

Amortization expense for the periods ended December 31, 2002, and December 31, 2001 was \$4,049 and \$3,775, respectively.

|                                 | For the periods ended December 31: |           |
|---------------------------------|------------------------------------|-----------|
|                                 | 2002                               | 2001      |
| Proprietary rights agreement    | \$ 1,000                           | \$ 1,000  |
| Patents                         | 55,238                             | 55,238    |
|                                 | <hr/>                              | <hr/>     |
| Gross Carrying Amounts          | 56,238                             | 56,238    |
| Less: Accumulated Amortization  | 10,316                             | 6,268     |
|                                 | <hr/>                              | <hr/>     |
| Net Amortized Intangible Assets | \$ 45,922                          | \$ 49,970 |
|                                 | <hr/>                              | <hr/>     |

NOTE 5 - STOCKHOLDER'S EQUITY

On February 11, 2000, the Company issued 105,000 of its \$0.001 par value common stock to an officer and director of the Company for cash in the amount of \$105. Of the total amount received, \$105 is considered common stock and \$0 is considered additional paid-in capital.

On February 12, 2000, the Company issued 3,125,000 shares of its \$0.001 par value common stock as founder's shares to the Company's officers and directors for cash of

\$3,125. Of the total amount received, \$3,125 is considered common stock and \$0 is considered additional paid-in capital.

On May 18, 2000, the Company issued 100,000 shares of its \$0.001 par value common stock to an officer and director of the Company for cash in the amount of \$100. Of the total amount received, \$100 is considered common stock and \$0 is considered additional paid-in capital.

On May 19, 2000, the Company issued 1,000,000 shares of its \$0.001 par value common stock as consideration for a "Proprietary Rights Agreement" valued at \$1,000 (See Note 4). Of the total amount received, \$1,000 is considered common stock and \$0 is considered additional paid-in capital.

On May 19, 2000, the Company issued 15,875,000 shares of its \$0.001 par value common stock as consideration for a "Patent Licensing Agreement" valued at \$55,238 (See Note 8). Of the total amount received, \$15,875 is considered common stock and \$33,906 is considered additional paid-in capital.

F-9

- 34 -

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**MARINE JET TECHNOLOGY CORP.**  
**(A Development Stage Company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2002**

NOTE 5 - STOCKHOLDER'S EQUITY (CONTINUED)

During the period ended December 31, 2001, an officer, director and shareholder of the Company paid for expenses on behalf of the Company totaling \$4,790. Of the total amount received, \$0 is considered common stock and \$4,790 is considered additional paid-in capital.

On July 31, 2001, the Company closed its Rule 504 offering and issued 527,570 shares of its \$0.001 par value common stock for cash in the amount of \$105,514. Of the total amount paid, \$528 is considered common stock and \$104,986 is considered additional paid-in capital.

During the period ended September 30, 2001, an officer, director and shareholder of the Company paid for expenses on behalf of the Company totaling \$11,575. Of the total amount received, \$0 is considered common stock and \$11,575 is considered additional paid-in capital.

During the period ended December 31, 2001, an officer, director and shareholder of the Company paid for expenses on behalf of the Company totaling \$3,179. Of the total amount received, \$0 is considered common stock and \$3,179 is considered additional paid-in capital.

During the period ended December 31, 2002, an officer, director and shareholder of the Company paid for expenses on behalf of the Company totaling \$9,844. Of the total amount received, \$0 is considered common stock and \$9,844 is considered additional paid-in capital.

For the periods ended December 31, 2002 and December 30, 2001, the Company had 20,732,570 shares of common stock issued and outstanding, held by 113 shareholders of record for both periods.

#### NOTE 6 - WARRANTS AND OPTIONS

There are no warrants or options outstanding to acquire any additional shares of common stock that are not disclosed on the balance sheets.

#### NOTE 7 - RELATED PARTY TRANSACTIONS

The Company entered into a Patent License Agreement ("Agreement") with Jeff P. Jordan and Robert J. Tomlinson ("Licensors"), officers and directors of the Company, to issue rights to all of the marketing, proprietary, licensing, patent and intellectual rights to US Patent #5,658,176, "Marine Jet propulsion System, US Patent #5,679,035, "Marine

F-10

- 35 -

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**MARINE JET TECHNOLOGY CORP.**  
**(A Development Stage Company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2002**

#### NOTE 7 - RELATED PARTY TRANSACTIONS (CONTINUED)

"Jet Propulsion Nozzle and Method", and US Patent #5,683,276, "Marine Jet Propulsion Inlet Duct and Method", in exchange for 15,875,000 shares of the company's \$0.001 par value common stock (See Note 6). The Agreement grants to the Company exclusive rights to the use of the Patents for all applications under 400hp.

The Company also entered into NonCompetition Agreements with the Licensors whereby for a period of 5 years from the date of the agreement, Licensors will not engage in or carry on, directly or indirectly, any business in competition with the business of the Company relating to the Patents that are the subject of the Patent License Agreement. No valuable consideration was given for the NonCompetition Agreements.

The Company purchased equipment from an officer and director of the Company on August 31, 2001 with cash in the amount of \$30,000.

#### NOTE 8 - INCOME TAXES

As of December 31, 2002, the Company has a net operating loss carry forward of approximately \$111,852 for tax purposes, which will be available to offset future taxable income. If not used, this carry forward will expire in 2022. The deferred tax asset relating to the net operating loss carry forward of approximately \$17,780 has been fully reserved at June 30, 2002.

#### NOTE 9 - GOING CONCERN

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

Since the Company has not commenced its planned principal operations, the Company intends to raise sufficient capital needed to continue operating until its planned principal operations commence.

The Company anticipates the ability to raise additional money through Private Placement Memorandums. Additionally, the Company anticipates being listed as an

F-11

- 36 -

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**MARINE JET TECHNOLOGY CORP.**  
**(A Development Stage Company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2002**

NOTE 9 - GOING CONCERN (CONTINUED)

Over-the-Counter Bulletin Board stock, which will provide an additional source of working capital for the Company. Finally, the Company plans to curtail expenses so that the current cash balance will allow the company to continue to operate.

Without realization of additional capital, it would be unlikely for the Company to continue as a going concern.

The officers and directors are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

F-12

- 37 -

PART III

Item 1. Index to Exhibits

| Exhibit # | Name and/or Identification of Exhibit  |     |
|-----------|--|-----|
| 2.        | Plan of acquisition, reorganization, arrangement, liquidation, or succession [1]<br>(a) Marine Jet Technology License Agreement<br>(b) Amendment to Marine Jet Technology License Agreement of May 22, 2000<br>(c) Second Amendment to Marine Jet Technology License Agreement of May 22, 2000<br>(d) Proprietary Rights Agreement |     |
| 3.        | Articles of Incorporation & By-laws<br>(a) Articles of Incorporation of the Company filed February 9, 2000 [1]<br>(b) Amendment to the Articles of Incorporation filed December 5, 2000<br>(c) Amendment to the Articles of Incorporation filed January 5, 2001<br>(d) By-laws of the Company adopted February 12, 2000            |     |
| 10.       | Material Contracts<br>Office lease agreement.  | [1] |
| 16.       | Letter on Change in Certifying Accountant<br>(a) Letter from G. Brad Beckstead, CPA, dated August 7, 2002. [2]<br>(b) Letter from G. Brad Beckstead, CPA dated April 7, 2003. [3]  |     |
| [1]       | Previously filed with the SEC on October 31, 2001 and again on May 1, 2002, as an exhibit to the Company's Form 10-SB.   |     |
| [2]       | Previously filed with the SEC on September 13, 2002, as an exhibit to the Company's amended Form 10-SB.  |     |
| [3]       | Previously filed with the SEC on April 4, 2003, as an exhibit to the Company's amended Form 8-K/A.   |     |



-38-

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 11<sup>th</sup> day of April, 2003.

MARINE JET TECHNOLOGY CORP.  
(Registrant)

By: /s/ Jeff P. Jordan  
Jeff P. Jordan  
President

-39-

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