FIRST PACTRUST BANCORP INC
Form DEF 14A
June 11, 2013
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SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Rule 14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

FIRST PACTRUST BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ 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:

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

(3) Filing Party:

(4) Date Filed:

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June 11, 2013

Dear Fellow Shareholder:

On behalf of the Board of Directors and management of First PacTrust Bancorp, Inc., we cordially invite you to attend the Annual Meeting of Shareholders of the Company. The meeting will be held at 9:00 a.m., local time, on July 16, 2013 at the facilities of RR Donnelley, located at 19200 Von Karman Avenue, Irvine, California. The meeting will include management s report to you on the Company s financial and operating performance.

An important aspect of the Annual Meeting process is the shareholder vote on corporate business items. I urge you to exercise your rights as a shareholder to vote and participate in this process. Shareholders are being asked to consider and vote upon: (1) the election of three directors of the Company; (2) an advisory (non-binding) vote on executive compensation, commonly referred to as a say-on-pay vote; (3) an advisory (non-binding) vote on the frequency of holding future say-on-pay votes; (4) the approval of the First PacTrust Bancorp, Inc. 2013 Omnibus Stock Incentive Plan; and (5) the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013.

Whether or not you plan to attend the Annual Meeting, **please read the enclosed proxy statement and then complete, sign and date the enclosed proxy card and return it in the accompanying postpaid return envelope as promptly as possible.** Registered shareholders, that is, shareholders who hold their stock in their own names, can also vote their shares by telephone or via the internet. If your shares are held through a bank, broker or other nominee, check your proxy card to see if you can also vote by telephone or the internet. Voting promptly will save the Company additional expense in soliciting proxies and will ensure that your shares are represented at the meeting.

Your Board of Directors and management are committed to the success of the Company and the enhancement of the value of your investment. As Chief Executive Officer, I want to express my appreciation for your confidence and support.

Very truly yours,

Steven A. Sugarman
Chief Executive Officer

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FIRST PACTRUST BANCORP, INC.

18500 Von Karman Avenue, Suite 1100

Irvine, California 92612

(949) 236-5300

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held July 16, 2013

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of First PacTrust Bancorp, Inc. (the Company) will be held as follows:

TIME	9:00 a.m. local time
DATE	July 16, 2013
PLACE	The facilities of RR Donnelley, 19200 Von Karman Avenue, Irvine, California
ITEMS OF BUSINESS	(1) Election of three directors, two for a term of three years, and one for a term of one year. (2) Advisory (non-binding) vote on executive compensation, commonly referred to as a say-on-pay vote. (3) Advisory (non-binding) vote on the frequency of holding future say-on-pay votes (4) Approval of the First PacTrust Bancorp, Inc. 2013 Omnibus Stock Incentive Plan. (5) Ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013.
RECORD DATE	Holders of record of the Company s voting common stock at the close of business on June 4, 2013 will be entitled to vote at the meeting or any adjournment or postponement of the meeting.
ANNUAL REPORT	The Company s 2012 Annual Report to Shareholders accompanies this proxy statement.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the enclosed proxy card. Registered shareholders, that is, shareholders who hold their stock in their own names, can also vote their shares by telephone or via the internet. If your shares are held through a bank, broker or other nominee, check your proxy card to see if you can also vote by telephone or the internet. **Regardless of the number of shares you own, your vote is very important. Please act today.**

BY ORDER OF THE BOARD OF DIRECTORS
Steven A. Sugarman
Chief Executive Officer

Irvine, California

June 11, 2013

The prompt return of proxies will save us the expense of further requests for proxies to ensure a quorum at the annual meeting.

Important Notice Regarding the Availability of Proxy Materials

for the Shareholder Meeting To Be Held on July 16, 2013.

The Company s Proxy Statement and Annual Report to Shareholders are available on the Internet at http://www.cfpproxy.com/5332.

FIRST PACTRUST BANCORP, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

July 16, 2013

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FIRST PACTRUST BANCORP, INC.

18500 Von Karman Avenue, Suite 1100

Irvine, California 92612

(949) 236-5300

PROXY STATEMENT

INTRODUCTION

The Board of Directors of First PacTrust Bancorp, Inc. (First PacTrust, the Company, we, us and our) is using this proxy statement to solicit proxies from the holders of the Company s voting common stock, par value $0.01 per share (the Voting Common Stock) for use at the upcoming Annual Meeting of Shareholders of the Company and at any adjournments or postponements of the meeting. The meeting will be held on July 16, 2013 at 9:00 a.m., local time, at the facilities of RR Donnelley, located at 19200 Von Karman Avenue, Irvine, California. At the meeting, shareholders will be asked to vote on four items: (i) the election of three directors of the Company, two to serve for a term of three years and one to serve for a term of one year; (ii) an advisory (non-binding) vote on executive compensation, commonly referred to as a say-on-pay vote; (iii) an advisory (non-binding) vote on the frequency of holding future say-on-pay votes; (iv) the approval of the First PacTrust Bancorp, Inc. 2013 Omnibus Stock Incentive Plan (the 2013 Omnibus Incentive Plan); and (v) the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013. These items are described in more detail below. Shareholders also will consider any other matters that may properly come before the meeting or any adjournment or postponement of the meeting, although the Board of Directors knows of no other business to be presented. Some of the information in this proxy statement relates to the Company s two wholly owned bank subsidiaries, Pacific Trust Bank (PacTrust Bank) and Beach Business Bank. PacTrust Bank and Beach Business Bank are sometimes referred to together as the Banks.

By submitting your proxy, you authorize the Company s Board of Directors to represent you and vote your shares at the meeting in accordance with your instructions. The Board also may vote your shares to adjourn the meeting from time to time and will be authorized to vote your shares at any adjournments or postponements of the meeting.

The accompanying Notice of Annual Meeting of Shareholders and proxy and this proxy statement are first being sent to shareholders on or about June 11, 2013.

The Company s Annual Report to Shareholders for the fiscal year ended December 31, 2012, which includes the Company s audited financial statements, accompanies this proxy statement. The Annual Report does not constitute a part of the proxy solicitation materials and is not incorporated into this proxy statement by reference.

Your vote is important. Whether or not you plan to attend the meeting, please submit your proxy promptly.

INFORMATION ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

At the annual meeting, shareholders will be asked to vote on the following items:

1. Election of three directors of the Company, two for a term of three years and one for a term of one year.

2. An advisory (non-binding) vote on executive compensation, commonly referred to as a say-on-pay vote.

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3. An advisory (non-binding) vote on the frequency of holding future say-on-pay votes.

4. Approval of the 2013 Omnibus Incentive Plan.

5. Ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013.

Shareholders also will act on any other business that may properly come before the meeting or any adjournment or postponement of the meeting. Members of our management team will be present at the meeting to respond to your questions.

Who is entitled to vote?

The record date for the meeting is June 4, 2013. Only holders of record of the Voting Common Stock as of the close of business on that date are entitled to notice of and to vote at the meeting. Each shareholder is entitled to one vote for each share of Voting Common Stock held as of the record date; provided, however, that under Section F of Article 6 of the Company s charter, no shareholder who beneficially owns more than 10.0% of the shares of Voting Common Stock outstanding as of that date may vote shares held in excess of that amount. At the close of business on the record date, there were 11,432,276 shares of Voting Common Stock outstanding.

What if my shares are held in street name by a broker?

If your shares are held in street name by a broker, your broker is required to vote your shares in accordance with your instructions. If you do not give instructions to your broker, your broker will nevertheless be entitled to vote your shares with respect to any discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items. In the case of non-discretionary items, your shares will be treated as broker non-votes. Whether an item is discretionary is determined by the exchange rules governing your broker. All of the items being voted on at the meeting are expected to be non-discretionary items except for the ratification of the appointment of the independent registered public accounting firm, which is expected to be a discretionary item.

How many shares must be present to hold the meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of at least one-third of the shares of Voting Common Stock outstanding on the record date will constitute a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What if a quorum is not present at the meeting?

If a quorum is not present at the scheduled time of the meeting, the shareholders who are represented may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken. An adjournment will have no effect on the business that may be conducted at the meeting.

How do I vote?

1. *You can vote by mail*. If you properly complete and sign the accompanying proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions.

2. *You can vote by telephone*. If you are a registered shareholder, that is, if your shares are held in your own name, you can vote by telephone by following the instructions included on the proxy card. If you vote by telephone, you do not have to mail in your proxy card. If your shares are held through a bank, broker or other nominee, check your proxy card to see if you can vote by telephone.

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3. *You can vote via the internet*. If you are a registered shareholder, you can vote via the internet by following the instructions included on the proxy card. If your shares are held through a bank, broker or other nominee, check your proxy card to see if you can also vote via the internet.

4. *You can vote in person at the meeting*. If you plan to attend the annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. Note, however, that if your shares are held in the name of your broker, bank or other nominee, you will need to obtain a legal proxy from the holder of your shares indicating that you were the beneficial owner of those shares on June 4, 2013, the record date for voting at the meeting, and that you are authorized to vote such shares. You are encouraged to vote by proxy prior to the meeting even if you plan to attend the meeting in person.

Can I change my vote after I submit my proxy?

Yes. If you are a registered shareholder, you can revoke your proxy and change your vote at any time before the polls close at the meeting by:

submitting another proxy with a later date;

giving written notice of the revocation of your proxy to the Company s Corporate Secretary prior to the annual meeting; or

voting in person at the annual meeting. Your proxy will not be automatically revoked by your mere attendance at the meeting; you must actually vote at the meeting to revoke a prior proxy.

If you hold your shares through a bank, broker or other nominee, you will need to follow the instructions of your bank, broker or other nominee in order to change your vote.

How does the Board of Directors recommend I vote on the items to be considered at the annual meeting?

The Board of Directors recommends that you vote:

FOR the election of the three director nominees to the Board of Directors.

FOR approval of the advisory (say-on-pay) vote on executive compensation.

FOR THREE YEARS (meaning triennially) on the frequency of future say-on-pay votes.

FOR approval of the 2013 Omnibus Incentive Plan.

FOR ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013.

What if I do not specify how my shares are to be voted?

Registered Shareholders. If you a registered shareholder and you submit a proxy but do not indicate any voting instructions, your shares will be voted:

FOR the election of the three director nominees to the Board of Directors.

FOR approval of the advisory vote on executive compensation.

FOR THREE YEARS (meaning triennially) on the frequency of future say-on-pay votes.

FOR approval of the 2013 Omnibus Incentive Plan.

FOR ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013.

Holders of Shares in Street Name. If you hold your shares in street name through a broker and do not provide your broker with voting instructions, it is expected that your broker will be able to vote your shares on the ratification of the appointment of the independent registered public accounting firm but will be unable to vote your shares on any of the other items. See What if my shares are held in street name by a broker?

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Will any other business be conducted at the meeting?

The Board of Directors knows of no other business that will be presented at the meeting. If any other matter properly comes before the shareholders for a vote at the meeting, the Board of Directors, as holder of your proxy, will vote your shares in accordance with its best judgment.

How many votes are required to elect the director nominees?

The affirmative vote of a plurality of the votes cast at the meeting is required to elect the nominees as directors. This means that the three director nominees will be elected if they receive more affirmative votes than any other persons nominated for election. No persons have been nominated for election other than the three nominees named in this proxy statement. If you vote Withhold with respect to the election of one or more nominees, your shares will not be voted with respect to the person or persons indicated, although your shares will be counted for purposes of determining whether there is a quorum.

How many votes are required to approve each of the other items?

The affirmative vote of a majority of the votes cast on the matter is required to approve each of the other items. Shareholders may vote FOR, AGAINST or ABSTAIN on each of the other items. The outcome of the say-on-pay vote is not binding on the Board of Directors.

What happens if a nominee is unable to stand for election?

If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the Board of Directors, as holder of your proxy, will vote your shares for the substitute nominee unless you have withheld authority to vote for the nominee replaced.

How will abstentions be treated?

If you abstain from voting, your shares will still be included for purposes of determining whether a quorum is present. Because directors will be elected by a plurality of the votes cast, abstaining is not offered as a voting option for the election of directors. An abstention on any of the other items will not be counted as a vote cast and will have no effect on the item.

How will broker non-votes be treated?

Shares treated as broker non-votes on one or more items will be included for purposes of calculating the presence of a quorum but will not be counted as votes cast. Consequently, broker non-votes will have no effect on any of the items to be voted on at the meeting.

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STOCK OWNERSHIP

Stock Ownership of Greater than 5% Shareholders, Directors and Executive Officers

The following table shows, as of June 4, 2013, the beneficial ownership of the Voting Common Stock by:

- those persons or entities known by management to beneficially own more than five percent of the outstanding shares of Voting Common Stock;
- each director and director nominee of the Company;
- each named executive officer; and
- all of the executive officers and directors of the Company as a group.

The address of each of the beneficial owners, except where otherwise indicated, is the same address as the Company s. As of June 4, 2013, there were 11,432,276 shares of Voting Common Stock issued and outstanding.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the SEC). In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Voting Common Stock subject to outstanding rights to acquire shares of Voting Common Stock held by that person that are currently exercisable or exercisable within 60 days are deemed outstanding. Such shares are not deemed outstanding for the purpose of computing the percentage ownership of any other person, however.

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Name of Beneficial Owner	Beneficial Ownership	Percent of Voting Common Stock Outstanding
Greater than 5% Shareholders		
TCW Shared Opportunity V, L.P. 111000 Santa Monica Boulevard, Suite 2000 Los Angeles, California 90025(1)	1,142,084	9.99%
St. Cloud Capital Partners II, LP, et al. 10866 Wilshire Boulevard, #1450 Los Angeles, California 90024(2)	700,537	6.13%
America Start-Up Institutions Investments I, L.P., et al. 200 Ransom Way Monterey Park, California 91755(3)	620,507	5.43%
Directors and Executive Officers(4)		
Timothy R. Chrisman, Chairman of the Board	25,738	0.22%
Steven A. Sugarman, Chief Executive Officer of the Company and Director	69,140	0.60%
Chad T. Brownstein, Director	0	0.00%
Robb Evans, Director	36,000	0.31%
Jeffrey Karish, Director	5,685	0.05%
Alvin L. Majors, Director	95,704	0.84%
Jonah Schnel, Director	500	0.00%
Ronald J. Nicolas, Jr., Executive Vice President and Chief Financial Officer of the Company	33,705	0.29%
Robert M. Franko, President of the Company and President and Chief Executive Officer of PacTrust Bank and Beach Business Bank	99,798	0.87%
Richard A. Herrin, Executive Vice President, Chief Administrative Officer and Corporate Secretary of the Company and Executive Vice President of PacTrust Bank	56,783	0.49%
Chang M. Liu, Executive Vice President and Chief Lending Officer of PacTrust Bank	44,917	0.39%
Gregory A. Mitchell, Former President and Chief Executive Officer of the Company(5)	3,392	0.03%
Marangal I. Domingo, Former Executive Vice President and Chief Financial Officer of the Company and the Bank(5)	41,759	0.37%
Directors and executive officers of the Company as a group (18 persons)(4)	666,580	5.72%

(1) TCW Shared Opportunity Fund V, L.P., a Delaware limited partnership (TCW), represented in the Common Stock Share Exchange Agreement, dated May 29, 2013 (the Exchange Agreement), between TCW and the Company, that it held at that date, 1,567,774 shares of the Company s common stock, consisting of 523,195 shares of Voting Common Stock and 1,044,579 shares of the Company s Class B Non-Voting Common Stock, par value $0.01 per share (Non-Voting Common Stock). Pursuant to the Exchange Agreement, TCW may from time to time exchange its shares of Non-Voting Common Stock for shares of Voting Common Stock issued by the Company on a share-for-share basis, provided that immediately following any such exchange, TCW s percentage ownership of Voting Common Stock does not exceed 9.99%. On June 3, 2013, TCW exchanged 550,000 shares of Non-Voting Common Stock for the same number of shares of Voting Common Stock. As a result of that exchange, the Company believes that as of June 4, 2013, TCW held 1,073,195 shares of Voting Common Stock and 494,579 shares of Non-Voting Common Stock. See Transactions with Related Persons Exchange Agreement with TCW Shared Opportunity V, L.P. Of the 494,579 shares of Non-Voting Common Stock, TCW has the right to immediately exchange 68,889 shares of Non-Voting Common Stock for the same number of shares of Voting Common Stock and remain within the 9.99% Voting Common Stock ownership limitation. The

1,142,084 shares listed in the table above is comprised of the 1,073,195 shares of Voting Common Stock held by TCW as of June 4, 2013 plus the 68,889 shares of Non-Voting Common Stock TCW has the right to exchange for Voting Common Stock.

(2) As reported by St. Cloud Capital Partners II, LP (St.Cloud), SCGP II, LLC (SCGP), Marshall S. Geller and Benjamin Hom in a Schedule 13G amendment filed with the SEC on February 14, 2012. SCGP is the general partner of St. Cloud and Messers. Geller and Hom are the managing members of SCGP. Each of St. Cloud, SCGP, Mr. Geller and Mr. Hom reported shared voting and dispositive powers over all 700,537 shares.

(3) As reported by America Start-Up Financial Institutions Investments I, L.P. (America Start-Up) and CKH Capital, Inc. (CKH), the general partner of America Start-Up, in a Schedule 13G filed with the SEC on December 9, 2010. America Start-Up and CKH each reported shared voting and dispositive powers over all 620,507 shares.

(4) Includes shares held directly, as well as shares held jointly with certain family members, shares held in retirement accounts, held in a fiduciary capacity, held by certain of the individual s or group members families, held by corporations or other entities controlled by the individual or group member, or held by trusts of which the individual or group member is a trustee or substantial beneficiary, with respect to which shares the individual or group member may be deemed to have sole or shared voting and/or investment powers. In addition, includes shares subject to options and warrants which were exercisable as of, or which will become exercisable within 60 days after, June 4, 2013, as follows: Mr. Chrisman options to purchase 8,014 shares and warrants to purchase 725 shares; Mr. Sugarman options to purchase 16,165 shares; Mr. Evans warrants to purchase 26,000 shares; Mr. Majors options to purchase 14,907 shares; Mr. Franko warrants to purchase 26,800 shares; Mr. Herrin options to purchase 43,333 shares; Mr. Liu options to purchase 33,334 shares; Mr. Domingo 26,666 shares; and all directors and executive officers as a group 225,991.

(5) Share information provided for Messers. Mitchell and Domingo is based on information known to the Company as of their respective resignation dates.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s directors and executive officers, and persons who own more than 10% of the Company s Voting Common Stock, to report to the SEC their initial ownership of the Company s equity securities and any subsequent changes in that ownership. Specific due dates for these reports have been established by the SEC and the Company is required to disclose in this report any late filings or failures to file.

To the Company s knowledge, based solely on its review of the copies of these reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2012, all Section 16(a) filing requirements applicable to the Company s officers and directors during 2012 were met, except for the inadvertent failure by Mr. Nicolas to fully report a holding of securities on Forms 3 and 4 following commencement of his employment and the inadvertent failure by Mr. Herrin to timely report on a Form 4 the disposition of shares to satisfy the tax withholding obligation upon the vesting of a previously reported employment inducement award of restricted stock.

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PROPOSAL I ELECTION OF DIRECTORS

General

The Company s Board of Directors is divided into three classes. Directors in each class are generally elected to serve for three-year terms that expire in successive years. The term of one of the classes of the Company s directors will expire at the annual meeting. The Company currently has seven directors, including Alvin L. Majors, who will be retiring from the Board upon the expiration of his term at the annual meeting. The Company thanks Mr. Majors for his many years of dedicated service to the Company. The number of directors will be reduced from seven to six effective upon the expiration of Mr. Majors s term at the annual meeting.

As a result of the recent resignation of Jeffrey T. Seabold as a director, the impending retirement of Mr. Majors as a director and the reduction in the size of the Board, the three classes of directors are uneven in size. In order to provide that each class of the Company s directors has the same number of members, the Company is nominating Robb Evans for election as a director for a one-year term expiring at the annual meeting of shareholders to be held in 2014,

Nominees

The Company has nominated Steven A. Sugarman and Jonah Schnel for election as directors for three-year terms expiring at the annual meeting of shareholders to be held in 2016, and Robb Evans for election as a director for a one-year term expiring at the annual meeting of shareholders to be held in 2014. They have each consented to being named as nominees in this proxy statement and have agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the Board of Directors, as holder of your proxy, will vote your shares for the substitute nominee, unless you have withheld authority to vote for the nominee replaced.

The affirmative vote of a plurality of the votes cast at the meeting is required to elect the nominees as directors. The Board of Directors recommends that you vote **FOR** the election of all nominees.

The following tables set forth, with respect to each nominee and each continuing director, his name and age, the year in which he first became a director of the Company, and his business experience for at least the past five years.

NOMINEES FOR ELECTION AS DIRECTORS FOR THREE-YEAR TERMS EXPIRING AT THE 2016 ANNUAL MEETING

Director, Year First Became Director of Company	Age(1)	Principal Occupation and Business Experience
Steven A. Sugarman, 2010	38	Mr. Sugarman was appointed co-Chief Executive Officer of the Company effective August 21, 2012 and as Chief Executive Officer of the Company effective

September 21, 2012. He is also the Managing Member of COR Capital LLC, a Southern California-based investment firm, and the Chief Executive Officer and a director of COR Securities Holdings Inc., the parent company of COR Clearing LLC, a national securities clearing firm. Previously, Mr. Sugarman was a founding partner of GPS Partners LLC, a $2 billion investment firm. From 2004 through 2005 he worked at Lehman Brothers and previously founded and served as Chief Executive Officer of Sugarman Enterprises Inc. and The Law Offices of Steven Sugarman, Inc. He began his career as a management consultant at McKinsey & Company. Mr. Sugarman brings to the Board a strong background and extensive experience in finance and investment matters.

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		COR Capital LLC was a lead investor in the November 2010 recapitalization of the Company. The Company agreed with COR Capital LLC to appoint Mr. Sugarman as a director following the transaction closing. In addition to serving as a director of the Company, Mr. Sugarman is a director of PacTrust Bank and Beach Business Bank.
Jonah Schnel, 2013	40	Mr. Schnel founded and has managed several privately-held specialty finance businesses and currently is the Chairman of Fast A/R Funding, a private company focused on lending to small businesses throughout the United States. Earlier in his career, Mr. Schnel worked at SunAmerica Investments, Inc. as a manager in the real estate investment division with a primary focus of first lien lending on a diverse range of commercial real estate assets. Mr. Schnel currently serves as the President and Chair of the Southern California Chapter of the Tourette Syndrome Association. Mr. Schnel s experience in commercial real estate and overseeing and managing a diverse set of finance-related businesses, including lending and new business formation, makes him a valuable addition to the Board. Mr. Schnel was recommended to serve on the Board by Mr. Brownstein.

Nominee for Election as Director for One-Year Term Expiring at the 2014 Annual Meeting

Robb Evans, 2012	73	Mr. Evans is the founder of Robb Evans & Associates, LLC, which provides various asset management, financial consulting and fiduciary services in complex corporate and financial matters. Mr. Evans has been chief executive officer of three California banks, three Federal Reserve chartered international banks and a Hong Kong merchant bank. Mr. Evans is past President of California Bankers Association and was a founding director of Beach Business Bank. Mr. Evans brings to the Board a wealth of knowledge and experience in banking and other financial matters. Pursuant to the merger agreement between the Company and Beach Business Bank, which provided for the appointment to the Company s Board of Directors of one director of Beach Business Bank, Mr. Evans was appointed as a director of the Company upon completion of the Company s acquisition of Beach Business Bank on July 1, 2012. In addition to being a director of the Company, Mr. Evans continues to serve as a director of Beach Business Bank.

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Directors Continuing in Office
Terms Expiring at the 2014 Annual Meeting

Timothy R. Chrisman, 2011	66	Mr. Chrisman is Chairman of the Board of Directors of the Company. He is the founding principal of Chrisman & Company, Inc., a Los Angeles-based executive search firm focusing on financial services and related industries. From 2005 through 2012, Mr. Chrisman served as Chairman of the Board of the Federal Home Loan Bank of San Francisco, and previously served as Chairman of the Council of Federal Home Loan Banks, the system s 12-bank trade organization. Mr. Chrisman is also a Senior Advisor to FIG Partners, an investment banking firm that is principally focused on financial service sector companies. Mr. Chrisman also serves as National Director and Vice Chairman of Operation HOPE, Inc., a nonprofit social investment bank and a national provider of financial literacy and economic empowerment programs. Mr. Chrisman previously served as a director of Commercial Capital Bank and Commercial Capital Bancorp, the institution that acquired $2.7 billion Hawthorne Savings, where he served as Chairman of the Board from 1995 to 2004. Mr. Chrisman s extensive experience in the financial services industry, both as a director and as an entrepreneur, makes him a valuable member of the Company s Board of Directors. Mr. Chrisman also brings to the Board a great deal of knowledge in the compensation and corporate governance areas.

Directors Continuing in Office
Terms Expiring at the 2015 Annual Meeting

Chad T. Brownstein, 2011	40	Mr. Brownstein is a Senior Adviser to Crescent Capital Group (formerly Trust Company of the West Leveraged Finance Group). Previously, he was a Senior Advisor at Knowledge Universe Ltd., where he focused on turnaround operations and private equity investing. Prior to that, he was a Partner at ITU Ventures making venture and growth investments with a specialization in corporate strategy. Earlier in his career, Mr. Brownstein worked at Donaldson Lufkin & Jenrette in the Merchant and Investment Banking divisions. Mr. Brownstein is a director and Vice Chairman of Prospect Global Resources Inc. Mr. Brownstein also is a member of the Cedars Sinai Board of Governors and serves on the board of Los Angeles Conservation Corps. Mr. Brownstein s experience in overseeing large-scale corporate restructuring efforts and executing transformational business plans are of great benefit to the Board as the Company executes its dual strategies of organic growth and M&A.
Jeff Karish, 2011	40	Mr. Karish currently serves as President of Windsor Media LLC, after having served as Executive Vice President and acting General Counsel of that company. Windsor Media s principal lines of business include a private equity fund, a venture capital fund and fixed income management. Previously, Mr. Karish was Head of Media Strategy and Corporate Development at Yahoo. Before Yahoo, he was a management consultant at McKinsey & Company, and a key member of McKinsey s West Coast Media and Technology practice. Mr. Karish also worked as an attorney in project finance with several large law firms. Mr. Karish brings strategic and managerial expertise to the Board.

(1) As of March 31, 2013.

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DIRECTOR COMPENSATION

Components of Director Compensation During 2012. The Company s director compensation during 2012 consisted of the following components:

- for service as a Company Board member, compensation in the form of an annual retainer in the amount of $120,000, payable in cash or, at the director s election, in the form of equity-based awards granted under the Company s 2011 Omnibus Incentive Plan (the 2011 Omnibus Incentive Plan);

- for the Chairman of the Company s Board, additional compensation in the form of an annual retainer in the amount of $60,000, payable in cash or, at the Chairman s election, in the form of equity-based awards granted under the 2011 Omnibus Incentive Plan;

- for each member of the Strategic Planning Committee of the Company s Board, additional compensation in the form of an annual retainer in the amount of $60,000 ($90,000 for the Chairman of the Strategic Planning Committee), payable in cash or, at the committee member s election, in the form of equity-based awards granted under the 2011 Omnibus Incentive Plan; and

- for each member of the Audit Committee of the Company s Board, additional compensation in the form of an annual retainer in the amount of $30,000 ($45,000 for the Chairman of the Audit Committee), payable in cash or, at the committee member s election, in the form of equity-based awards granted under the 2011 Omnibus Incentive Plan.

Director Sugarman ceased receiving compensation from the Company for his Board service upon his appointment as co-Chief Executive Officer of the Company effective August 21, 2012. Director Sugarman was appointed as Chief Executive Officer of the Company effective September 21, 2012. Commencing in 2013, Mr. Seabold ceased receiving compensation for his Board service once PacTrust Bank entered into a consulting arrangement with his company on December 27, 2012. In May 2013, in connection with Mr. Seabold entering into an employment agreement with PacTrust Bank to serve as Managing Director of PacTrust Bank s Residential Lending Division, the consulting agreement was terminated and Mr. Seabold resigned as a director of the Company and PacTrust Bank. See Transactions with Related Persons Transactions Involving Jeffrey T. Seabold.

The directors of the Company who currently also serve as directors of PacTrustBank are Messrs. Majors (Chairman of PacTrust Bank s Board), Chrisman and Sugarman. The compensation paid to directors of PacTrust Bank (other than Mr. Sugarman, who ceased receiving any compensation for his service as a director of PacTrust Bank effective August 21, 2012) consisted primarily of the following components:

- for service as a PacTrust Bank Board member, compensation in the form of an annual retainer in the amount of $40,000, payable in cash or, at the director s election, in the form of equity-based awards granted under the 2011 Omnibus Incentive Plan;

- for the Chairman of PacTrust Bank s Board (currently Mr. Majors), additional compensation in the form of an annual retainer in the amount of $20,000, payable in cash or, at the Chairman s election, in the form of equity-based awards granted under the 2011 Omnibus Incentive Plan; and

- for each member of the Audit Committee of PacTrust Bank s Board, additional compensation in the form of an annual retainer in the amount of $6,000, payable in cash or, at the committee member s election, in the form of equity-based awards granted under the 2011 Omnibus Incentive Plan.

The directors of the Company who currently also serve as directors of Beach Business Bank are Messrs. Chrisman, Evans and Sugarman (who receives no compensation for his service as a director of Beach Business Bank). The compensation paid to directors of Beach Business Bank (other than Mr. Sugarman) consisted primarily of the following components:

- for service as a Beach Business Bank Board member, directors are paid a cash retainer in the amount of $1,000 per quarter, plus meeting fees of $1,000 per meeting attended (or $500 per meeting attended telephonically);

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additional compensation in the amount of $500 per meeting attended is paid for service on a committee (with service on the Loan Committee paid in the amount of $500 per month); and

directors are also entitled to reimbursement for travel expenses, up to a maximum of $1,000 per meeting.

Recent Changes to Director Compensation Commencing in 2013. In connection with the Compensation Committee s review of the Company s executive compensation program, the Committee also recommended changes to the Company s director compensation program to reduce director compensation in light of the enhancements to professional resources and the augmentation of management personnel which occurred during the fourth quarter of 2012. Based upon those recommendations, the Board adopted several changes to the compensation program for directors, effective as of April 24, 2013, as follows:

the base annual retainer paid to members for service on the Board was increased to $150,000 from $120,000;

compensation in addition to the base annual retainer for service on the Audit Committee or Strategic Planning Committee of the Board was reduced to $1,000 per meeting attended (instead of the annual retainer previously paid for service on those committees);

committee chairmen each will become entitled to receive compensation in addition to the base annual retainer in the amount of $1,000 per meeting attended;

directors serving on the Company s Board will no longer receive additional compensation for their separate service on the Board of Directors of either PacTrust Bank or Beach Business Bank;

members of the Company s Audit Committee will no longer receive additional compensation for service on the Audit Committees of the Boards of Directors of either PacTrust Bank or Beach Business Bank; and

subject to shareholder approval of the 2013 Omnibus Stock Incentive Plan, compensation for service as a director will be paid in the form of equity awards (with the option to receive equity awards net of taxes) in lieu of the previous elective system in which directors could choose to receive either cash or equity awards in payment of their compensation.

Director Compensation For 2012. The following table provides information regarding compensation paid to persons who served as directors of the Company during 2012 other than Mr. Sugarman, the Company s Chief Executive Officer, whose compensation for serving as a director during 2012 prior to his appointment as co-Chief Executive Officer (at which time he ceased receiving compensation for his service as a director) is included in the All Other Compensation column of the Summary Compensation Table, and Gregory A. Mitchell, the former President and Chief Executive Officer of the Company and PacTrust Bank who resigned effective September 21, 2012, who received no compensation for his Board service.

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Timothy R. Chrisman	$ 305,831						305,831
Chad Brownstein	$ 180,000						180,000

Robb Evans(1)	$ 104,500		104,500
Jeffrey Karish	$ 50,000	$ 100,000	150,000
Alvin L. Majors	$ 227,250		227,250
Jeffrey T. Seabold(1)	$ 232,998		232,998

(1) Mr. Evans became a director of the Company effective July 1, 2012. Mr. Seabold resigned as a director of the Company and PacTrust Bank effective May 12, 2013.

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(2) Includes compensation paid for service as a director on the Boards of Directors of PacTrust Bank and Beach Business Bank.

(3) Represents the grant date fair values of the stock awards under Accounting Standards Codification Topic No. 718, Compensation-Stock Compensation (ASC Topic 718). The assumptions used in the calculation of these amounts are included in Note 3 of the notes to the consolidated financial statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC. As of December 31, 2012, the number of unvested shares of restricted stock held by each of the directors was as follows: Mr. Chrisman 0 shares; Mr. Brownstein 0 shares; Mr. Evans 0 shares; Mr. Karish 2,643 shares; Mr. Majors 0 shares; and Mr. Seabold 0 shares.

(4) As of December 31, 2012, the total number of shares underlying the stock options held by each of the directors named in the table was as follows: Mr. Chrisman 8,014 shares; Mr. Brownstein 0 shares; Mr. Evans 0 shares; Mr. Karish 0 shares; Mr. Majors 14,907 shares; and Mr. Seabold 16,713 shares.

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INFORMATION AS TO EXECUTIVE OFFICERS WHO ARE NOT ALSO DIRECTORS

Robert M. Franko. Mr. Franko, age 65, was appointed as President of the Company effective upon completion of the Company s acquisition of Beach Business Bank on July 1, 2012. Mr. Franko continues to serve as President and Chief Executive Officer and as a director of Beach Business Bank, positions he has held since its inception in 2003. Mr. Franko also was appointed as President and Chief Executive Officer of PacTrust Bank effective September 21, 2012, and serves as a director of PacTrust Bank. Mr. Franko previously held several positions in senior management and on boards of directors of commercial banks including City National Bank, Beverly Hills, California (2002-2003, Senior Vice President, Personal Trust and Investments Division), Generations Trust Bank, N.A., Long Beach, California (1999-2002, President and Chief Executive Officer), First National Bank of San Diego, San Diego, California (2001-2002, Executive Vice President, Chairman of the Executive Committee), Imperial Bancorp and Imperial Bank (1995-1998, Executive Vice President and Chief Financial Officer and the Chairman and Chief Executive Officer of Imperial Trust Company and the President of Imperial Financial Group, Inc., both subsidiaries of Imperial Bancorp), and President and Chief Executive Officer of Springfield Bank & Trust Ltd., Gibraltar (1988-1995). Mr. Franko is a member of the Board of Directors of The Independent Bankers Bank (TIB) in Irving, Texas. TIB provides certain correspondent banking services to Beach Business Bank and PacTrust Bank.

Ronald J. Nicolas, Jr. Mr. Nicolas, age 54, became Executive Vice President of the Company effective November 5, 2012 and Chief Financial Officer of the Company effective November 13, 2012. Mr. Nicolas served as a consultant to the Company from October 18, 2012 until his appointment as an officer of the Company. Before joining the Company, Mr. Nicolas served as Executive Vice President and Chief Financial Officer at each of: Carrington Holding Company, LLC (2009-2012); Residential Credit Holdings, LLC (2008-2009); Fremont Investment and Loan, a $14-billion financial institution (2005-2008); and Aames Investment/Financial Corp. (2001-2005). He earlier served in various capacities with KeyCorp, a $20-billion financial institution, including Executive Vice President Group Finance of KeyCorp (1998-2001), Executive Vice President, Treasurer and Chief Financial Officer of KeyBank USA (1994-1998), and Vice President Corporate Treasury (1993-1994). Before joining KeyCorp, Mr. Nicolas spent eight years at HSBC-Marine Midland Banks in a variety of financial and accounting roles.

Jeffrey T. Seabold. Mr. Seabold, age 46, has been employed as Managing Director of PacTrust Bank s residential lending division since May 13, 2013. From 2011 until May 12, 2013, Mr. Seabold served as a director of the Company and as a director of PacTrust Bank. Mr. Seabold is also the founder and CEO and President of CS Financial Inc. (CS Financial), a Southern California-based mortgage banking firm. From December 27, 2012 until May 12, 2013, CS Financial had a Management Services Agreement with PacTrust Bank, pursuant to which it provided PacTrust Bank financial analysis, management consulting, knowledge sharing, training services and general advisory with respect to PacTrust Bank s residential mortgage lending business, including strategic plans and business objectives, compliance function, monitoring, reporting and related systems, and policies and procedures. During that period, Mr. Seabold served as Managing Director of PacTrust Bank s residential lending division in a non-employee capacity.

Under his Employment Agreement with PacTrust Bank dated May 13, 2013, Mr. Seabold granted to the Company and PacTrust Bank an option, exercisable (or not) in the Company s and PacTrust Bank s sole discretion on or prior to the 120 day anniversary of May 13, 2013, to acquire CS Financial for a purchase price of $10 million. See Transactions with Related Persons Transactions Involving Jeffrey T. Seabold.

John C. Grosvenor. Mr. Grosvenor, age 63, became Executive Vice President and General Counsel of the Company effective August 22, 2012. Before joining the Company, Mr. Grosvenor was a partner at the law firm of Manatt, Phelps & Phillips, LLP, where his clients included the Company. While in private practice, Mr. Grosvenor specialized in capital markets transactions, including public and private offerings of equity and debt securities, representing underwriters and issuers, including commercial banks, specialty finance companies, thrift institutions and equity and mortgage real estate investment trusts (REITs). In addition, Mr. Grosvenor has

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substantial experience in merger and acquisition transactions, particularly in the financial services industry, and advised frequently on regulatory aspects of transactions involving depository institutions. Mr. Grosvenor also represented numerous boards of directors as corporate governance counsel.

Richard A. Herrin. Mr. Herrin, age 44, became Executive Vice President of Strategic Initiatives of the Company effective August 22, 2011, and was appointed as Chief Administrative Officer of the Company on January 1, 2013. Mr. Herrin has served as Executive Vice President and Chief Administrative Officer of PacTrust Bank since December 6, 2010. Prior to joining PacTrust Bank, Mr. Herrin served at the FDIC as a member of the strategic operations group, which has overall responsibility for managing problem banks on behalf of the FDIC. As part of this group, Mr. Herrin acted as the Receiver-in-Charge of a number of the largest failed banks in the western region of the United States. Previously, he was the Manager of Asset Management Division within the FDIC where he served as a voting member of the Credit Review Committee for all receiverships in the western region of the United States. Prior to joining the FDIC in 2009, Mr. Herrin held executive positions at Vineyard Bank, Excel National Bank, Imperial Capital Bank and Bank of America.

Lonny D. Robinson. Mr. Robinson, age 56, became the Company s Principal Accounting Officer effective December 11, 2012, and was previously appointed Executive Vice President and Chief Financial Officer of PacTrust Bank effective November 14, 2012. Immediately before joining PacTrust Bank, Mr. Robinson was Executive Vice President and Chief Financial Officer of Hanmi Financial Corp., a $2.8-billion publicly-traded bank holding company, and its subsidiary Hanmi Bank. Prior to joining Hanmi in October 2011, Mr. Robinson served as Executive Vice President and Chief Financial Officer at each of: Opportunity Bancshares and Opportunity Bank (2010-2011); Western Community Bancshares and Frontier Bank (2010); and Center Financial Corp., a $2.5-billion publicly-traded bank holding company (2007-2010).

Craig S. Naselow. Mr. Naselow, age 49, became Executive Vice President, Treasurer and Chief Investment Officer of the Company and PacTrust Bank effective November 5, 2012. Prior to joining the Company and PacTrust Bank, Mr. Naselow served as Senior Vice President, Treasurer and Investment Executive at Aris Development Company, a private bank development company, since 2009. Before that, he served as Treasury/Liquidity Consultant to Union Bank N.A., a $70-billion commercial bank (2008-2009); Managing Director and Treasurer at Countrywide Bank, a $120-billion commercial bank, (2001-2008); Senior Vice President of California Commerce Bank, a $2.1-billion commercial bank subsidiary of Citigroup (1998-2001) and President of California Commerce Banc Securities, Inc., an affiliate of California Commerce Bank (2000-2001); and Vice President, Corporate Finance and Portfolio Management at Great Western Bank, a $45-billion savings bank (1994-1997).

Gaylin D. Anderson. Mr. Anderson, age 46, has served as Executive Vice President and Chief Retail Banking Officer of the Company s principal banking subsidiary, PacTrust Bank, since January 3, 2011. Prior to joining PacTrust Bank, Mr. Anderson served as Senior Vice President, Consumer Branch Performance for U.S. Bank in Los Angeles, and as Director of Retail Banking for California National Bank, a $7.7 billion asset 68-branch community banking franchise serving Los Angeles, Orange, Ventura and San Bernardino counties. Mr. Anderson has held executive management positions at CitiBank, N.A., and California Federal Bank.

Chang M. Liu. Mr. Liu, age 45, has served as Executive Vice President and Chief Lending Officer of the Company s principal banking subsidiary, PacTrust Bank, since January 3, 2011. Prior to joining PacTrust Bank, Mr. Liu served at U.S. Bank as Senior Vice President where he managed the Los Angeles, Newport Beach and San Diego offices of its Special Assets Group. Previously, he was a Senior Vice President, Senior Loan Officer and Manager of California National Bank s Los Angeles commercial real estate lending activity. Prior to joining Cal National in 1999, Mr. Liu held commercial real estate commercial lending and corporate finance positions at The Fuji Bank, Ltd., and Sumitomo Bank of California.

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TRANSACTIONS WITH RELATED PERSONS

General

The Company and the Banks may engage in a transaction or series of transactions with our directors, executive officers and certain persons related to them. Except for loans by the Banks, which are governed by a separate policy, those transactions that constitute related party transactions under Item 404 of SEC Regulation S-K are subject to the review and approval of the Audit Committee and ratification by the Board of Directors. All other transactions with executive officers, directors and related persons other than those in the ordinary course of our banking business are approved by the Board of Directors.

Loans

The Banks have written policies of granting loans to officers and directors, which fully complies with all applicable federal regulations. Loans to directors and executive officers are made in the ordinary course of business and on substantially the same terms and conditions, including interest rates and collateral, as those of comparable transactions with non-insiders prevailing at the time, in accordance with each Bank s underwriting guidelines, and do not involve more than the normal risk of collectability or present other unfavorable features. These loans to directors and executive officers are not made at preferential rates; however, certain closing fees are waived. No director, executive officer or any of their affiliates had aggregate indebtedness to either Bank at below market interest rate loans exceeding $120,000 in the aggregate during the fiscal year ended December 31, 2012.

As of December 31, 2012, there were no loans outstanding to any director or executive officer of the Company.

Transactions Involving Jeffrey T. Seabold

On December 27, 2012, PacTrust Bank entered into a Management Services Agreement (the Services Agreement) with CS Financial, a Southern California-based mortgage banking firm controlled by Jeffrey T. Seabold, then a member of the Boards of Directors of the Company and PacTrust Bank. The Services Agreement was recommended by disinterested members of management of PacTrust Bank and negotiated and approved by special committees of the Board of Directors of each of the Company and PacTrust Bank (the Special Committees), comprised exclusively of independent, disinterested directors of the Boards. Each of the Boards of Directors of PacTrust Bank and the Company also considered and approved the Services Agreement, upon the recommendation of the Special Committees.

Under the Services Agreement, CS Financial agreed to provide PacTrust Bank such reasonably requested financial analysis, management consulting, knowledge sharing, training services and general advisory services as PacTrust Bank and CS Financial mutually agreed upon with respect to PacTrust Bank s residential mortgage lending business, including strategic plans and business objectives, compliance function, monitoring, reporting and related systems, and policies and procedures (the Services).

As compensation for the Services, CS Financial received a monthly fee of $100,000 plus reimbursement for out-of-pocket charges for the account of PacTrust Bank or otherwise incurred by CS Financial in connection with the provision of the Services. Certain relatives and entities affiliated with relatives of Steven A. Sugarman, Chief Executive Officer of the Company and member of the Board of Directors of the Company and PacTrust Bank, also own certain minority, non-controlling interests in CS Financial.

On May 13, 2013, PacTrust Bank entered into a three-year employment agreement (the Employment Agreement) with Mr. Seabold and hired Mr. Seabold as Managing Director of PacTrust Bank s Residential Lending Division. In connection with the hiring of Mr. Seabold and entering into the Employment Agreement, PacTrust Bank simultaneously terminated, with immediate effect, the Services Agreement with CS Financial.

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On May 12, 2013, consistent with the Company s corporate governance best practices and in connection with the process relating to the Employment Agreement, Mr. Seabold offered his resignation as a director of each of the Company and PacTrust Bank, and each of the respective Boards of Directors accepted such resignation effective immediately.

The appointment of Mr. Seabold as an officer of PacTrust Bank and the Employment Agreement were under the purview of, and evaluated, negotiated and recommended by, the Special Committees, as well as by the independent, disinterested members of the Compensation Committee. The Boards of Directors of the Company and PacTrust Bank, with Messrs. Steven A. Sugarman, Chief Executive Officer of the Company, and Mr. Seabold recusing themselves from the discussions and vote, also considered and approved the appointment of Mr. Seabold and the Employment Agreement, upon the recommendation of the Special Committees.

The Employment Agreement provides for a term of three years, with an automatic renewal for an additional year on the second anniversary of the effective date and on each anniversary thereafter, unless one of the parties provides a notice of non-renewal. The Employment Agreement provides Mr. Seabold with an initial base salary of $400,000, an annual cash target bonus of 50% of his annual base salary (the Annual Target Bonus), and an incentive bonus, generally payable one-half in cash and one-half in Company equity awards, generally equal to 10% of the pre-tax operating profits generated by originations held for sale by PacTrust Bank s Residential Lending Division, subject to certain annual performance hurdle amounts being met (the Incentive Bonus).

In the event of a termination of employment without cause or a resignation for good reason, Mr. Seabold is entitled to the following (the Severance Amounts): (1) a pro-rata target bonus for the year of termination; (2) 1.5 times the sum of his base salary and Incentive Bonus (determined by annualizing the Incentive Bonus payable relative to the most recently completed fiscal quarter of FTB prior to the termination date), paid in installments over a twenty-four month period (following a change of control, the severance multiple would be 2, and be based upon the sum of his base salary and the Annual Target Bonus, not Incentive Bonus); and (3) 18 months (24 months following a change in control) of continued medical and dental benefits. In addition, any equity awards held by Mr. Seabold will vest in full and any stock options or stock appreciation rights will remain exercisable for the remainder of their original full terms.

Under the Employment Agreement, Mr. Seabold is subject to customary confidentiality and corporate opportunity restrictions, and employee non-solicitation restrictions while he is employed by PacTrust Bank and for a period of generally twenty-four months following termination of employment.

In connection with entering into the Employment Agreement, the Company will grant Mr. Seabold an award of (1) 50,000 shares of restricted stock, effective on the first business day of the month immediately following the approval by shareholders of the proposed 2013 Omnibus Incentive Plan at the annual meeting (or otherwise issuable in the form of cash-settled restricted stock units), and (2) non-qualified stock options for the purchase of 100,000 shares of Company common stock at an exercise price per share equal to the closing market price of Company common stock on May 13, 2013, in each case which vest, subject to continued employment, as follows: 1/5 on each of the first, second, third, fourth and fifth anniversaries of May 13, 2013.

Finally, under the Employment Agreement, Mr. Seabold granted to the Company and PacTrust Bank an option (the Call Option), exercisable (or not) in the Company s and PacTrust Bank s sole discretion on or prior to the 120 day anniversary of May 13, 2013, to acquire CS Financial for a purchase price of $10 million (the Purchase Price). If, in its sole discretion, the Company and/or PacTrust Bank, exercise the Call Option, (x) the Purchase Price would be payable 80% in shares of Company common stock (valued based on the volume weighted average trading price of Company common stock on the NASDAQ over the 10-day period ending on the business day immediately prior to the Call Option exercise date) and 20% in cash, or in such other percentages mutually agreed by the Company and CS Financial (but in no event less than 51% in shares of Company common stock) and (y) in consideration of the substantial expenditures of time, effort and expenses to be undertaken by Mr. Seabold in order to prepare for the consummation of the acquisition (including, without limitation, as to integration), the Company or

PacTrust Bank will pay to Mr. Seabold $25,000 a month, during

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the period between the exercise of the Call Option and the closing of the acquisition. Sixty percent of the Purchase Price paid in shares of Company common stock will be subject to certain time and post-closing performance vesting criteria. In addition, if the Company and PacTrust Bank decline to exercise the Call Option, the Company and PacTrust Bank will in any event have the exclusive right (but no obligation) through December 31, 2013, to negotiate an acquisition transaction involving CS Financial on terms outside of those applicable to the Call Option. Effective immediately and through December 31, 2013, CS Financial will provide the Company and its advisors and representatives all due diligence and other information and access requested by the Company or its representatives to evaluate a potential transaction involving CS Financial. If the Company and PacTrust Bank decline to exercise the Call Option, PacTrust Bank will be permitted to terminate Mr. Seabold s employment without cause for a limited period following the expiration of the Call Option without entitling Mr. Seabold to the benefits described in clauses (2) and (3) of the definition of Severance Amounts above.

Any decisions or actions with respect to the Call Option and/or other transaction or affiliation with CS Financial, if any, will fall under the purview and authority of the Special Committees.

Exchange Agreement with TCW Shared Opportunity Fund V, L.P.

TCW Shared Opportunity Fund V, L.P. (TCW) initially became a holder of Voting Common Stock and Non-Voting Common Stock as a lead investor in the November 2010 recapitalization of the Company (the Recapitalization). In connection with its investment in the Recapitalization, TCW also was issued by the Company an immediately exercisable five-year warrant (the TCW Warrant) to purchase 240,000 shares of Non-Voting Common Stock or, to the extent provided therein, shares of Voting Common Stock in lieu of Non-Voting Common Stock. TCW was issued shares of Non-Voting Common Stock in the Recapitalization because at that time, a controlling interest in TCW Asset Management Company, the investment manager to TCW, was held by a foreign banking organization, and in order to prevent TCW from being considered a bank holding company under the Bank Holding Company Act of 1956, as amended, the number of shares of Voting Common Stock it purchased in the Recapitalization had to be limited to 4.99% of the total number of shares of Voting Common Stock outstanding immediately following the Recapitalization. For the same reason, the TCW Warrant could be exercised by TCW for Voting Common Stock in lieu of Non-Voting Common Stock only to the extent TCW s percentage ownership of the Voting Common Stock at the time of exercise would be less than 4.99% as a result of dilution occurring from additional issuances of Voting Common Stock subsequent to the Recapitalization.

In 2013, the foreign banking organization sold its controlling interest in TCW Asset Management Company, eliminating the need to limit TCW s percentage ownership of the Voting Common Stock to 4.99%. As a result, on May 29, 2013, the Company and TCW entered into a Common Stock Share Exchange Agreement, dated May 29, 2013 (the Exchange Agreement), pursuant to which TCW may from time to time exchange its shares of Non-Voting Common Stock for shares of Voting Common Stock issued by the Company on a share-for-share basis, provided that immediately following any such exchange, TCW s percentage ownership of Voting Common Stock does not exceed 9.99%. The shares of Non-Voting Common Stock that may be exchanged by TCW pursuant to the Exchange Agreement include the shares of Non-Voting Common Stock it purchased in the Recapitalization, the additional shares of Non-Voting Common Stock TCW acquired subsequent to the Recapitalization (and may in the future acquire) pursuant to the Company s Dividend Reinvestment Plan and any additional shares of Non-Voting Common Stock that TCW acquires pursuant to its exercise of the TCW Warrant.

On June 3, 2013, TCW exchanged 550,000 shares of Non-Voting Common Stock for the same number of shares of Voting Common Stock. As a result of that exchange, the Company believes that as of June 4, 2013, TCW held 1,073,195 shares of Voting Common Stock and 494,579 shares of Non-Voting Common Stock.

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BOARD OF DIRECTORS MEETINGS AND

COMMITTEE AND CORPORATE GOVERNANCE MATTERS

Board Meetings, Independence and Ethics Code

Meetings of the Company s Board of Directors are generally held on a monthly basis. The Company s Board of Directors held 16 meetings during the fiscal year ended December 31, 2012. During 2012, no director attended fewer than 75 percent of the aggregate of the total number of meetings of the Board of Directors and committees of which he was a member held during the period in which he served. The Company s general policy is for all directors to attend its annual meeting of shareholders, and every director at that time attended last year s annual meeting. The Board has determined that Directors Brownstein, Chrisman, Evans, Karish, Majors and Schnel, constituting a majority of the Board members, are independent directors, as that term is defined in Rule 5605 of the Listing Rules of the NASDAQ Stock Market. Shareholders may communicate directly with the Board of Directors by sending written communications to Timothy R. Chrisman, Chairman of the Board of the Company, 18500 Von Karman Avenue, Suite 1100, Irvine, California, 92612.

The Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees. You may obtain a copy of the Code free of charge by writing to the Corporate Secretary of the Company, Richard Herrin at 18500 Von Karman Avenue, Suite 1100, Irvine, California, 92612, or by calling (949) 236-5300. In addition, the Code of Business Conduct and Ethics has been filed with the SEC as Exhibit 14 to the Company s Annual Report on Form 10-K for the year ended December 31, 2003 and is available on our website at http://www.firstpactrustbancorp.com (click on the Investor Relations information link, then click on link marked Governance Documents).

Board Leadership Structure and Risk Oversight

As indicated above, the positions of Board Chairman and Chief Executive Officer are held by two persons. This has been the case since the Company s formation in 2002. The Board believes this structure is appropriate for the Company because of the need for the Chairman to have independence in leading the Board of Directors to oversee and direct management, and the CEO s direct involvement in leading management of the Company.

The Board of Directors establishes and revises policies to identify and manage various risks inherent in the business of the Company, and both directly and through its committees, periodically receives and reviews reports from management to ensure compliance with and evaluate the effectiveness of risk controls. Employees who oversee day-to-day risk management duties, including the Compliance Officer and Internal Asset Review Officer, report directly to the Audit Committee.

In September, 2012, the Board of Directors established a Risk Policy Committee to assist the Board in discharging its oversight duties with respect to the policies applicable to the risks inherent in the business of the Company and its subsidiaries in the following categories: credit risk; market and liquidity risk; fiduciary risk; operational risk; strategic risk; and compliance risk. The Risk Policy Committee is currently composed of Directors Chrisman (Chairman), Evans and Sugarman. The Risk Policy Committee met once during 2012.

Board Committee Attendance and Charters

In addition to the Risk Policy Committee discussed above, the Board of Directors of the Company has standing Audit, Nominating, Compensation and Strategic Planning Committees.

The Board of Directors has adopted written charters for the Audit Committee, the Compensation Committee and the Nominating Committee. The charters for the Audit Committee, Compensation Committee and the Nominating Committee are available on our website at http://www.firstpactrustbancorp.com (click on the Investor Relations information link, then click on link marked Governance Documents). You also can obtain a copy of these committee charters free of charge by writing to the Corporate Secretary of the Company, 18500 Von Karman Avenue, Suite 1100, Irvine, California, 92612 or by calling (949) 236-5300.

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Audit Committee

The Audit Committee is currently comprised of Directors Evans (Chairman), Chrisman, Karish and Majors all of whom are independent, as independence is defined for audit committee members in the NASDAQ Listing Rules. The Board of Directors has determined that each of Directors Evans and Majors is an audit committee financial expert, as defined in Item 407(d)(5) of SEC Regulation S-K, and that all of the Audit Committee members meet the independence and financial literacy requirements under the NASDAQ Listing Rules. In 2012, this Committee met 11 times. This committee is responsible for hiring, terminating and/or reappointing the Company s independent registered public accounting firm and for reviewing the annual audit report prepared by our independent registered public accounting firm. The functions of the Audit Committee also include:

(i) approving non-audit and audit services to be performed by the independent registered public accounting firm;

(ii) reviewing and approving all related party transactions for potential conflict of interest situations;

(iii) reviewing and assessing the adequacy of the Audit Committee charter on an annual basis;

(iv) reviewing significant financial information for the purpose of giving added assurance that the information is accurate and timely and that it includes all appropriate financial statement disclosures;

(v) ensuring the existence of effective accounting and internal control systems; and

(vi) overseeing the entire audit function of the Company, both internal and independent.

Nominating Committee

The Nominating Committee is currently composed of Directors Schnel (Chairman), Brownstein and Chrisman, each of whom is an independent director under the NASDAQ Listing Rules. This committee is primarily responsible for selecting nominees for election to the board. The Nominating Committee generally meets once per year to make nominations and holds additional meetings from time to time as needed.

The responsibilities of the Nominating Committee include:

(i) recommend to the Board the appropriate size of the Board and assist in identifying, interviewing and recruiting candidates for the Board;

(ii) recommend candidates (including incumbents) for election and appointment to the Board of Directors, subject to the provisions set forth in the Company s charter and bylaws relating to the nomination or appointment of directors, based on the following criteria: business experience, education, integrity and reputation, independence, conflicts of interest, diversity, age, number of other directorships and commitments (including charitable obligations), tenure on the Board, attendance at Board and committee meetings, stock ownership, specialized knowledge (such as an understanding of banking, accounting, marketing, finance, regulation and public policy) and a commitment to the Company s communities and shared values, as well as overall experience in the context of the needs of the Board as a whole. Although the Company does not have a formal policy with regard to the consideration of diversity in identifying director nominees, the Board seeks candidates who further its objective of having a Board that encompasses a broad range of talents and expertise and reflects a diversity of background, experience and viewpoints;

(iii) review nominations submitted by shareholders, which have been addressed to the Corporate Secretary, and which comply with the requirements of the Company s charter and bylaws. Nominations from shareholders will be considered and evaluated using the same criteria as all other nominations;

(iv) annually recommend to the Board committee assignments and committee chairs on all committees of the Board, and recommend committee members to fill vacancies on committees as necessary; and

(v) perform any other duties or responsibilities expressly delegated to the Committee by the Board.

Director nominations by shareholders must be made pursuant to timely notice in writing to the Corporate Secretary as set forth in Section 1.09 of the Company s bylaws. In general, to be timely, a shareholder s notice must be received by the Company not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year s annual meeting; however, if the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, the shareholder s notice must be delivered not earlier than 120 days prior to the date of the meeting and not later than the close of business on the later of the 90^{th} day prior to the date of the meeting or the tenth day following the day on which notice of the date of the meeting was mailed or public announcement of the date of the meeting was first made. The shareholder s notice must include the information set forth in Section 1.09 of the Company s bylaws.

The foregoing description is a summary of the Company s nominating process. Any shareholder wishing to propose a director candidate to the Company should review and must comply in full with the procedures set forth in the Company s charter and bylaws, and Maryland law.

During 2012 the Nominating Committee met two times.

Compensation Committee

The Compensation Committee is currently comprised of Directors Brownstein (Chairman), Chrisman and Schnel, all of whom are independent directors under the NASDAQ Listing Rules. This committee administers the Company s equity incentive plans and arrangements and reviews overall compensation policies for the Company. The responsibilities of the Compensation Committee also include:

(i) reviewing from time to time our compensation plans and, if the Compensation Committee believes it to be appropriate, amend or recommend that the Board amend these plans or adopt new plans;

(ii) overseeing the evaluation of our management, and establish the compensation for our executive officers and approve the compensation for other key members of management;

(iii) recommending to the Board the appropriate level of compensation and the appropriate mix of cash and equity compensation for directors; and

(iv) administering any executive or employee compensation plans which the Board has determined should be administered by the Committee.

The charter of the Compensation Committee does not specifically provide for delegation of any of the authorities or responsibilities of the Compensation Committee. Typically, the Company s Chief Executive Officer makes compensation recommendations to the Compensation Committee with respect to the executive officers who report to him. Such executive officers are not present at the time of these deliberations. The Committee Chairman then makes compensation recommendations to the Compensation Committee with respect to the Chief Executive Officer, who does not attend that portion of the meeting. The Compensation Committee may accept or adjust such recommendations. Director compensation is determined by the Company s Board of Directors based on the recommendations of the Compensation Committee. Other than the Company s Chief Executive Officer acting in his capacity as a Board member, none of the Company s executive officers has any role in determining the amount of director compensation.

The charter of the Compensation Committee authorizes the Compensation Committee to select and retain a compensation consultant and other advisors to assist the Committee in carrying out its responsibilities. Pursuant to this authority, the Compensation Committee retained the services of Pearl Meyer & Partners in 2012. See Executive Compensation Compensation Discussion and Analysis-Role of Compensation Consultants.

During 2012, the Compensation Committee met seven times.

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Strategic Planning Committee

The Strategic Planning Committee is currently comprised of Directors Sugarman (Chairman), Brownstein, Chrisman and Karish. This committee reviews and oversees the Company s strategic planning processes. This committee meets as needed based on pending transactions or activities. The Strategic Planning Committee met nine times in 2012.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee is an officer, employee or former officer of the Company or the Banks. None of our executive officers serve as a member of the compensation committee of any other company that has an executive officer serving as a member of our Compensation Committee or our Board of Directors or serve as a member of the board of directors of any other company that has an executive officer serving as a member of our Compensation Committee.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

In this section we provide an overview and analysis of our executive compensation programs, the material compensation policy decisions we have made under those programs, and the material factors that we considered in making those decisions. Following this section, you will find a series of tables containing specific information about the compensation earned or paid for 2012 to the following individuals, whom we refer to as our Named Executive Officers:

- Steven A. Sugarman, Chief Executive Officer of the Company;
- Robert M. Franko, President of the Company and President and Chief Executive Officer of PacTrust Bank and Beach Business Bank;
- Ronald J. Nicolas, Jr., Executive Vice President and Chief Financial Officer of the Company;
- Richard A. Herrin, Executive Vice President, Chief Administrative Officer and Corporate Secretary of the Company and Executive Vice President of PacTrust Bank;
- Chang M. Liu, Executive Vice President and Chief Lending Officer of PacTrust Bank;
- Gregory A. Mitchell, Former President and Chief Executive Officer of the Company and PacTrust Bank; and
- Marangal I. Domingo, Former Executive Vice President and Chief Financial Officer of the Company and PacTrust Bank.

The discussion below is intended to help you understand the detailed information provided in those tables and put that information into context within our overall compensation program.

2012 Performance Highlights

We continued during 2012 to execute upon our strategic plans by implementing initiatives and achieving objectives that the Board of Directors deems to be critical to the Company s long-term success, including:

- Termination of the extraordinary supervisory oversight by the Office of the Comptroller of the Currency under the Memorandum of Understanding which had restricted the activities of PacTrust Bank since 2009;

- Continuing to grow, both organically and through acquisitions, to achieve the necessary scale to compete effectively in the Company s markets;

- Transitioning from a unitary savings and loan holding company to a multi-bank holding company;

- Investing in the infrastructure and resources necessary to enable management to better execute the Company s strategic plans;

- Augmenting the liquidity and capital strength of the Company on an enterprise-wide basis; and

- Expanding the scope of services and products offered to customers to broaden the potential sources of profitable revenues.

Execution of the Company s growth strategy during 2012 included completion of the acquisitions of both Beach Business Bank and Gateway Business Bank, and entering into agreements to acquire The Private Bank of California (PBOC) and The Palisades Group, LLC. With the closing of the pending acquisition of PBOC, the Company will have grown from a $999 million in assets San Diego-based thrift at the beginning of 2012 to a $2.5 billion in assets bank holding company providing commercial and residential lending and specialty finance services through 22 branches located across Southern California.

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In addition, these acquisitions provide the foundation for one of the Company s key strategic initiatives in 2013: the launch of the Company s residential mortgage lending platform. At the beginning of 2012, the Company originated mortgage loans, primarily to be held in portfolio, almost entirely through wholesale channels utilizing loan brokers. As of December 31, 2012, the Company had 24 loan production offices in California, Arizona, Oregon and Washington and engaged in residential mortgage lending through wholesale, retail, correspondent and warehouse lending channels and engages in secondary marketing, loan pool purchases and sales, and mortgage servicing.

During 2012 the Company successfully issued $84.8 million of 7.5% Senior Notes, providing the liquidity and capital resources necessary to both accomplish the Company s growth initiatives and ensure that its banking subsidiaries exceed the requirements for being well capitalized , a critical criterion for accomplishing the Company s overall strategic goals and business objectives. One of those objectives is to diversify the products and services offered to customers. As a result of these acquisitions and other initiatives, in addition to mortgage lending, the Company, through its banking subsidiaries, now provides commercial and industrial lending, Small Business Administration lending, equipment leasing and financing, cash and treasury management, remote deposit, ACH origination and employer/employee retirement planning, and its loan portfolios have substantially changed from more than 85% in residential mortgages at the beginning of 2012 to less than 50% at the end of 2012.

Finally, to better enable the Company to successfully execute its strategies and profitably operate its increasingly complex businesses, in 2012 the Company made numerous enhancements in external resources, including the engagement of KPMG LLP as the Company s independent auditors, and augmented the Company s senior management team, appointing:

- Steven A. Sugarman as Chief Executive Officer of the Company;
- Robert M. Franko as Chief Executive Officer of both Beach Business Bank and PacTrust Bank;
- Ronald J. Nicolas, Jr. as Chief Financial Officer of the Company;
- John C. Grosvenor as General Counsel of the Company;
- Richard A. Herrin as Chief Administrative Officer of the Company;
- Lonny D. Robinson as Chief Financial Officer of both Beach Business Bank and PacTrust Bank and Principal Accounting Officer of the Company; and
- Craig S. Naselow as Treasurer and Chief Investment Officer of the Company.

Compensation Committee s Response to 2012 Say-on-Pay Vote

At the 2012 annual meeting of shareholders, the shareholders were presented an opportunity to vote on an advisory basis with respect to the executive compensation disclosed in the proxy statement for that meeting (commonly known as Say-on-Pay). Approximately 68% of votes cast voted in favor of the Say-on-Pay proposal. The Company currently holds Say-on-Pay votes on an annual basis. Accordingly, at the 2013 annual meeting of shareholders, shareholders will consider a Say-on-Pay proposal with respect to the executive compensation disclosed in this proxy statement. See Proposal II Advisory (Non-Binding) Vote on Executive Compensation. As discussed under Proposal III Advisory

(Non-Binding) Vote on the Frequency of an Advisory Vote on Executive Compensation, however, the Company is proposing to hold future Say-on-Pay votes on a triennial basis.

Based upon the 2012 Say-on-Pay vote, and in light of the increasing complexity of the Company s businesses, the Board and Compensation Committee held meetings with members of the management team to discuss the nature and scope of the Company s executive compensation programs. The Committee and management met periodically to review and consider shareholder interests concerning the design and philosophy of the Company s compensation plans pertaining to executive officers and key personnel, including particularly incentive compensation arrangements. The Compensation Committee also reviewed the Company s performance and the compensation practices of similar financial institutions regarding employee and executive compensation.

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Compensation Program Best Practices

As a result of these deliberations, and based upon the evolving nature of the Company s businesses, the Compensation Committee implemented certain new features, and retained certain pre-existing compensation strategies, that the Compensation Committee considered to be key elements for a program of compensation plans which align the interests of our executive officers and our long-term strategic direction with the interests of shareholders, and do not include features that could misalign their interests or impact the safety and soundness of the Company, such as the following:

Feature	Description
Hedging /Pledging Policy	The Company has a no-hedging policy and a no-pledging policy of Company shares.
Share Ownership Requirements	The Company recently implemented share ownership requirements for senior officers as well as the Board of Directors.
Repricing	We do not permit the repricing of underwater stock options or stock appreciation rights without the approval of shareholders.
CIC Payments	Our employment agreements do not include provisions which provide excess payments in the event of a change-in-control.
Supplemental Retirement Plans	We do not maintain any supplemental retirement arrangements with executives and employees.
Bonuses	We do not have any multi-year guaranteed bonuses as part of our employment agreements.

Philosophy and Objectives of the Compensation Program

Our compensation programs are designed to attract and retain key employees, motivate them to achieve optimal results and reward them for superior performance. Different programs are geared to short and longer-term performance with the goal of increasing shareholder value over the long-term. Executive compensation programs impact all employees by setting general levels of compensation and helping to create an environment of goals, rewards and expectations. Because we believe that the performance of every employee is important to our success, we are mindful of the effect of executive compensation and incentive programs on all of our employees.

We believe that the compensation of our executives should reflect their success as a management team, in addition to their individual contributions to that success, in attaining key operating objectives, such as growth in deposits and customer relationships, growth of operating earnings and earnings per share and, ultimately, in attaining an increased market price for our stock. We believe that the performance of the executives in managing the Company should be the basis for determining their overall compensation, taking into consideration pertinent economic conditions, interest rate trends, and the competitive market environment. We also believe that their compensation should not be based on the short-term performance of our stock, whether favorable or unfavorable, but rather that the price of our stock will, in the long-term, reflect our operating performance, and ultimately, the management of the Company by our executives. We seek to have the long-term performance of our stock reflected in executive compensation through our stock option, restricted stock grants and other equity incentive programs. Our approach to compensation management includes a review of all incentive programs to avoid imprudent risk-taking and to promote safety and soundness. In that regard, the Company intends to continuously review its compensation programs during 2013 to mirror the needs of its strategic goals and business objectives, as well as changes in its management structure, as it integrates the operations of Beach Business Bank and completes the acquisitions of PBOC and The Palisades Group, LLC.

Overview of Executive Compensation Program

Key elements of compensation for our executives include salary, an employee bonus incentive plan, equity incentive awards, 401(k) plan, and health, disability and life insurance benefits. Subject to the terms of their

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employment agreements (see Employment Agreements below), base salaries for our executive officers are generally reviewed, at least annually, at a meeting of the Compensation Committee. The Compensation Committee also considers executive officer performance and makes subjective recommendations for bonus payments and equity incentive awards to our executive officers based on a variety of factors, in its discretion.

These elements fit into our overall compensation objectives by helping to secure the future potential of our operations, facilitating our entry into new markets, providing proper regulatory compliance and helping to create a cohesive team.

Emphasis on Shareholder Alignment

Through the use of equity awards, such as restricted stock and stock option awards, the total compensation of each of our Named Executive Officers is highly dependent on performance and substantially aligned with the interests of shareholders. The Committee emphasizes individual and business performance outcomes designed to link actual compensation amounts with factors that contribute to shareowner value. Equity awards represent approximately 45% of potential compensation for our Chief Executive Officer, and more than 20% of potential compensation for the other Named Executive Officers.

Base salary is designed to be sufficiently competitive for recruitment and retention purposes and is expected to represent approximately 33% of potential compensation for our Chief Executive Officer, and approximately 50% of potential compensation for our other Named Executive Officers.

The following chart illustrates the basic pay mix for our Chief Executive Officer (excluding director fees paid prior to his employment as an officer and assuming 3-year vesting of equity awards).

The Compensation Committee, which is comprised of three independent members of the Company s Board of Directors, (as discussed in greater detail under Board of Directors Meetings and Committee and Corporate Governance Matters Compensation Committee) revisited the Company s Compensation Committee charter in 2012 and recommended changes which were approved by the Board, including changes required to comply with recently finalized committee standards applicable to NASDAQ-listed companies such as us. The Committee is responsible for, among other things:

- Reviewing goals and objectives of compensation plans and if appropriate, amending or recommending that the Board of Directors amend goals and objectives;
- Reviewing compensation plans, and if appropriate, recommending to the Board of Directors the adoption of new incentive-compensation plans, equity-based plans, other compensation plans or amendments to existing plans;
- Approving and reviewing the Chief Executive Officer s corporate goals and objectives and determining compensation levels;

Overseeing the evaluation of management personnel, and determining compensation levels for executive officers and other key members of management;

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Reviewing the policies regarding tax deductibility of compensation for purposes of Section 162(m) of the Internal Revenue Code; and

Reviewing the Company s incentive compensation practices to determine whether they encourage excessive risk taking, and approving, or recommending to the Board of Directors for approval, changes to mitigate risk.

The Compensation Committee considers information from a variety of sources when assessing the competitiveness of the Company s current and future compensation levels. These sources include, but are not limited to, committee members, management, other members of the Board of Directors, publicly available compensation data regarding executive officers within the industry, the Company s understanding of compensation arrangements at other financial institutions with similar growth strategies, and advice from the Compensation Committee s consultants. Typically, the Chief Executive Officer makes compensation recommendations to the Compensation Committee with respect to the executive officers who report to him. Such executive officers are not present at the time of these deliberations. The Committee Chairman then makes compensation recommendations to the Compensation Committee with respect to the Chief Executive Officer, who does not attend that portion of the meeting. The Compensation Committee may accept or adjust such recommendations.

Our policy for allocating between long-term and short-term compensation is to ensure adequate base compensation to attract and retain personnel, while providing incentives with an appropriate level of risk to maximize long-term value for our company and our shareholders. Likewise, we provide cash compensation in the form of base salary to meet competitive norms and reward good performance on an annual basis in the form merit salary adjustments and bonus compensation to reward superior performance against specific short-term goals. We provide equity-based compensation as a long-term incentive and a means of directly aligning the interests of our executive officers with the interests of our shareholders. We believe that our overall compensation package, including benefits and equity-related awards, is competitive within the marketplace and consistent with the philosophy and objectives of our compensation program.

Role of Compensation Consultants

The Compensation Committee at times engages the services of an independent compensation consulting firm. The Compensation Committee retained the services of Pearl Meyer & Partners commencing in 2012 to assist the Committee with its review and approval of the new employment agreement with Mr. Sugarman, as well as to review market comparables for, and make recommendations regarding, remuneration of members of the Board of Directors, and to advise the Compensation Committee and the Board of Directors concerning the Company s compensation policies and programs going forward.

2012 Compensation Decisions

In December 2011, the Board of Directors adjusted the recommended level of annual incentive compensation for the Company s executive officers to reduce the amount of discretionary bonus compensation in order to reflect the fact that certain objectives for 2011 were not achieved within the time frame envisioned for their accomplishment, including particularly the termination of the 2009 Memorandum of Understanding for PacTrust Bank. Commencing in April 2012, the Compensation Committee revisited the earlier discretionary bonus decisions for the executive team once the remaining objectives for 2011 were accomplished, including the termination of the Memorandum of Understanding. In addition, among other matters, the Committee considered the results achieved by management in successfully completing the acquisitions and integrations of Gateway Business Bank and Beach Business Bank. Based upon the Committee s understanding of market levels of compensation for senior management at similar organizations, in September 2012, after considering these factors, the Committee determined to provide certain executive officers (including Messrs. Herrin, Liu and Domingo) and other employees with cash bonuses in the form of increases to their minimum base salaries under their employment agreements and grants of immediately vested shares of restricted stock. The Company entered into

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amended employment agreements with these officers to implement the adjusted base salary levels, but provided in the amendments that the amount of the increase in base salary would not apply for purposes of calculating severance payments except where termination of employment occurs within 12 months following a Change-in Control. In addition, in the case of Messrs. Herrin and Liu, the severance payout periods under their employment agreements were extended from 18 months to 24 months to be more consistent with the employment agreements with most of the other executive officers. See Employment Agreements. The adjustments made to base salaries and the additional equity awards are outlined in greater detail below.

Base Salary

We seek to establish salary compensation for our executive officers based on our Company s operating performance relative to the value proposition for the Company, the compensation offered by competing employers, salaries at comparable companies and our achievement of overall Company objectives. Subject to an executive officer s minimum base salary as established by contract (see Employment Agreements), in setting base salaries, the Compensation Committee typically reviews the Chief Executive Officer s recommendations with respect to the other executive officers and discusses the relative qualifications, experience and responsibilities of the officers. The Compensation Committee also considers the salary information for executive officers of financial institutions that are comparable in size to First PacTrust. It is our policy to pay our Chief Executive Officer and other executive officers on a competitive basis that allows us to attract and retain talented managerial employees both at the senior executive level and below.

Each of the Named Executive Officers was hired pursuant to an employment agreement or subsequently signed an employment agreement that established each Named Executive Officer s minimum base salary. Each employment agreement was the result of negotiations between the Company and the Named Executive Officer. Salaries are typically reviewed and adjusted annually at the discretion of the Committee or the Board of Directors. During 2012, salaries were increased for certain of the Named Executive Officers. Subsequent to the departure of Mr. Mitchell and the appointment of Mr. Sugarman in September 2012, the Committee determined that it should enter into modified employment agreements with certain key executives, including Messrs. Franko, Herrin, Liu and Domingo. (Mr. Nicolas had not yet joined the Company). The terms of the modified agreements provided for an increase in each executive officer s base salary.

		Annual Rate of Base Salary	
Executive	**Title**	**2011**	**2012**
Steven A. Sugarman	Chief Executive Officer, First PacTrust Bancorp	N/A	$ 600,000
Robert M. Franko	President, First PacTrust Bancorp; Chief Executive Officer, PacTrust Bank and Beach Business Bank	N/A	$ 375,000
Ronald J. Nicolas Jr.	Chief Financial Officer	N/A	$ 325,000
Richard A. Herrin	Chief Administrative Officer	$ 250,000	$ 320,000
Chang M. Liu	Chief Lending Officer	$ 228,000	$ 270,000
Gregory A. Mitchell	Former President & Chief Executive Officer	$ 416,000	$ 416,000
Marangal I. Domingo	Former Chief Financial Officer	$ 275,000	$ 325,000

The Compensation Committee generally takes into account the following factors when considering adjustments to executive officer salaries:

performance against corporate and individual objectives, relative to pertinent economic, interest rate and competitive environment factors;

difficulty of achieving desired results;

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value of their unique skills and capabilities to support long-term performance of the Company;

performance of their general management responsibilities; and

contribution as a member of the executive management team and internal consistency.

Mr. Franko s 2012 salary was increased in September 2012 to $375,000 in connection with the substantial additional responsibilities he assumed by being appointed as President and Chief Executive Officer of PacTrust Bank, in addition to his existing positions as President of the Company and President and Chief Executive Officer of Beach Business Bank. The salary increases for Messrs. Herrin, Liu and Domingo are explained above, under -2012 Compensation Decisions.

Annual Incentives

The employment contracts with our Named Executive Officers provide for additional or special compensation, such as incentive pay or bonuses, as the Board of Directors or Compensation Committee may from time to time determine. Messrs. Sugarman and Nicolas entered into employment agreements in 2012 that specify a target bonus of 50% of base salary and, in the case of Mr. Sugarman, the opportunity to receive compensation in excess of the target based on profitability of the Company s non-depository businesses. All other Named Executive Officers are eligible for bonuses but do not have a target bonus level as a percentage of their base salary defined in their employment agreements.

As discussed under -2012 Compensation Decisions, in September 2012, certain Named Executive Officers were given cash bonuses in the form of increases in base salary (reflected in the table above) and additional equity awards in the form of immediately vested shares of restricted stock, in recognition of the achievement in 2012 of certain strategic objectives that had not been accomplished during 2011, and the fact that incentive awards for 2011 had been correspondingly reduced, as well as the accomplishment of the successful acquisitions of Beach Business Bank and Gateway Business Bank, as follows:

Executive	Title	Grant Date Value of Equity Awards
Marangal I. Domingo	Former Chief Financial Officer	$ 125,600
Richard A. Herrin	Chief Administrative Officer	$ 125,600
Chang M. Liu	Chief Lending Officer	$ 100,480

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Following the end of 2012, the Committee commenced an evaluation of the performance compensation to be considered for the Chief Executive Officer and the other Named Executive Officers (other than Messrs. Mitchell and Domingo, each of whom was then no longer employed by the Company) based upon their performance during 2012. There was no specific weighting of business goals compared to an individual officer s performance, but instead the recommended bonus reflected a holistic view of the success of each executive in achieving objectives for their respective functional area and, consequently, the executive compensation awards paid for 2012 were above target levels in the case of Messrs. Sugarman and Nicolas. To encourage ongoing focus on long-term shareholder value and retention among select key employees, the Committee required that executive officers, except for Mr. Liu, receive a minimum of one-third of the bonus in the form of restricted stock. The shares of restricted stock vest over a minimum of three years, typically in equal annual installments. The remainder of the incentive award not paid in restricted stock was paid in cash. Since Mr. Liu s bonus was based upon loan production results, the Committee determined that Mr. Liu s entire incentive award would be paid in cash. The additional bonus amounts to certain Named Executive Officers were as follows:

Executive	Title	2012 Incentive	2012 Cash Component of the Annual Incentive
Steven A. Sugarman	Chief Executive Officer	$ 225,000	$ 150,750
Robert M. Franko	President, First PacTrust Bancorp; Chief Executive Officer, PacTrust Bank and Beach Business Bank	$ 50,000	$ 0
Ronald J. Nicolas Jr.	Chief Financial Officer	$ 125,000	$ 83,750
Richard A. Herrin	Chief Administrative Officer	$ 100,000	$ 83,500
Chang M. Liu	Chief Lending Officer	$ 120,000	$ 120,000

Long-Term Incentives

The Compensation Committee believes that a significant portion of Named Executive Officers target compensation should generally be in the form of long-term incentives, which motivates leaders and key employees through the use of awards tied to the long-term performance of the Company. These awards are intended to reward performance over a multi-year period, align the interests of executives with those of shareholders, instill an ownership culture, enhance the personal stake of executive officers in the growth and success of the Company, and provide an incentive for continued service at the Company. Long-term incentive awards are currently granted under the 2011 Omnibus Incentive Plan. At the annual meeting, shareholders will be asked to approve the 2013 Omnibus Incentive Plan, which would, like the 2011 Omnibus Incentive Plan, permit long-term equity awards. If the 2013 Omnibus Incentive Plan is approved at the annual meeting, then no future awards will be made under the 2011 Omnibus Incentive Plan. See Proposal IV Approval of the 2013 Omnibus Stock Incentive Plan.

The Company issues long-term incentives in three ways. First, at the discretion of the Board of Directors, the Company at times awards special inducement equity awards. These special inducement awards are negotiated upon hire or upon renegotiation of the employee s contract and are based on the Committee s understanding of the market levels of pay for the given position, the skills and experiences of the executive to be hired, and the level required to induce employment. The Committee determines for each executive the appropriate ratio of stock options/SARs and restricted stock to be issued upon hire to adequately motivate and align executive interests with the interests of shareholders.

In connection with Mr. Sugarman s appointment as co-Chief Executive Officer, Mr. Sugarman was awarded a cash-settled stock appreciation right with respect to 500,000 shares of common stock. The stock appreciation right vests in three annual installments beginning with the date of grant.

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In connection with Mr. Nicolas employment he was granted 25,000 restricted shares of common stock and 75,000 stock options. The restricted shares and stock options granted to Mr. Nicolas vest in five equal annual installments commencing upon the first anniversary of the effective date of his employment agreement.

In connection with Mr. Franko s appointment as President and Chief Executive Officer of PacTrust Bank, which added to his existing responsibilities as President of the Company and President and Chief Executive Officer of Beach Business Bank, Mr. Franko was granted 60,000 restricted shares. The restricted shares vest in five equal annual installments beginning with the date of grant.

Upon renegotiation of the employment terms for Messrs. Herrin, Liu and Domingo each received a restricted stock award of 10,000, 8,000 and 10,000 shares, respectively, which were fully vested at the date of grant.

Second, as previously outlined, the Committee believes that ongoing equity opportunities further align management s interests with the long-term interests of shareholders, encourages long-term safety and soundness of the Company, and encourages long-term retention of key employees. As a result, the Committee determined to issue a minimum of one-third of the 2012 bonus determined in 2013 in the form of restricted stock which vests over a minimum three year period to select executive officers. Individual members of management were allowed to request that a greater portion of their incentive compensation be paid in the form of restricted stock, or to vest over a longer period of time, and the Committee determined the appropriateness of the request by considering each officer s outstanding equity awards, the amount of vested equity, and other compensation elements provided by the Company.

Third, the Committee believes that equity awards align management s interests with the long-term interests of the Company s shareholders, instill an ownership culture, enhance the personal stake of executive officers in the growth and success of the Company, provide an incentive for continued service at the Company, and encourage retention of key employees. In determining whether to award long-term incentives to executives, the Compensation Committee performs an annual review process which includes consideration of factors such as the Company s overall performance, duties and responsibilities assumed by the executive, the overall performance of the executive s area of responsibility, the executive s impact on strategic goals, prior levels of total compensation, the number and mix of each executive s outstanding equity-based awards, and the desired emphasis on retention and motivation. However, there is no specific weighting applied to any one factor in determining the level of equity-based awards or the mix between stock options, restricted stock, and other forms of equity awards. Instead, the process ultimately relies on a holistic and qualitative assessment of the facts and the exercise of the Compensation Committee s judgment. For 2012, the Committee determined that the outstanding inducement grants and the allocation of the bonus in the form of restricted stock provided sufficient alignment with shareholders that no additional grants were warranted.

Stock Ownership Guidelines

The Board of Directors recently adopted stock ownership guidelines for senior officers and non-employee directors of the Company. The guidelines require that our Chief Executive Officer own shares equal to at least 300% of his after-tax base salary and that the other Named Executive Officers own shares equal to at least 100% of their after-tax base salary. Each non-employee director is expected to maintain a minimum equity investment in common shares equal to at least 100% of their after-tax base annual retainer (exclusive of compensation paid for committee membership or chairmanship). Compliance with the guidelines is required to be achieved within a two-year period from their adoption.

Hedging/Pledging Policy

The Company considers it inappropriate for any director or officer to enter into speculative transactions in First PacTrust s securities. The Company s insider trading policy prohibits the purchase or sale of puts, calls,

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options, or other derivative securities based on the Company s securities. This prohibition also includes hedging or monetization transactions, such as forward sale contracts, in which the shareholder continues to own the underlying security without all the risks or rewards of ownership. Finally, directors, officers, and other employees may not purchase the Company s securities on margin, or borrow against any account in which Company securities are held. The prohibitions do not apply to the exercise of stock options granted as part of a Company incentive plan.

401(k) Plan

We offer a qualified, tax exempt savings plan to our employees with a cash or deferred feature qualifying under Section 401(k) of the Code (the 401(k) Plan). All employees who have attained age 18 are eligible to make 401(k) contributions. Eligible employees are also eligible to be allocated matching and profit sharing contributions, if any, after they have attained age 18 and completed 12 months of continuous employment, during which they worked at least 1,000 hours.

During 2012, participants were permitted to make salary reduction contributions to the 401(k) Plan of up to 100% of their annual salary, up to a maximum of $17,000. In addition, participants who have attained age 50 may defer an additional $5,500 annually as a 401(k) catch-up contribution. All employees who participate in the 401(k) Plan received 100% matching funds for the first 4% of salary contributed by the employee during 2012. All 401(k) deferrals made by participants are before-tax contributions. In the event of retirement at age 65 or older, permanent disability or death, however, a participant will automatically become 100% vested in the value of all matching and profit sharing contributions and earnings thereon, regardless of the number of years of service with the Company.

Participants may invest amounts contributed by them, as well as employer matching and profit sharing contributions (to the extent they are fully vested), to their 401(k) Plan accounts in one or more investment options available under the 401(k) Plan. Changes in investment directions among the funds are permitted on a periodic basis pursuant to procedures established by the plan administrator. Each participant receives a quarterly statement which provides information regarding, among other things, the market value of his investments and contributions made to the 401(k) Plan on his behalf. Participants are permitted to borrow against their account balance in the 401(k) Plan.

Perquisites and Other Benefits

Our executives are entitled to few benefits that are not otherwise available to all of our employees. In this regard it should be noted that we do not provide pension arrangements, post-retirement health coverage, or similar benefits for our executives or employees other than as described in the severance agreements. Our health and insurance plans are the same for all employees. The Company currently offers employees their choice of two different health plans. Named Executive Officers are often required to drive between branches and offices located throughout the Southern California region. As a result, the Company provides each of the Named Executive Officers a company car or auto allowance due to the amount of driving required.

Equity Grant Policy

Executives currently receive long-term equity awards pursuant to the terms of the 2011 Omnibus Incentive Plan, which was approved by the Company s shareholders. The Board of Directors and, by delegation, the Compensation Committee, administers the 2011 Omnibus Incentive Plan and establishes the rules for all awards granted under the plan, including grant guidelines, vesting schedules, and other provisions. The Board of Directors or the Compensation Committee reviews these rules periodically and considers, among other things, the interests of our shareholders, market conditions, information provided by independent advisors, performance objectives, and recommendations made by the Chief Executive Officer.

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The Board of Directors or the Compensation Committee reviews awards for all employees. For annual awards, the Compensation Committee reviews the recommendations of the Chief Executive Officer for executives and other employees, modifies the proposed grants in certain circumstances, and approves the awards effective as of the date of its approval.

The exercise price of stock option grants are set at 100% of the closing market price of a share of Company common stock on the date the Board of Directors or Compensation Committee approves the grants. The exercise price of new hire awards and relocation or retention grants is determined as set forth above, except that the exercise price is set on the date of hire or effective date of the underlying agreement providing for such grant rather than the date of the approval thereof.

At the annual meeting, shareholders will be asked to approve the 2013 Omnibus Incentive Plan, which would, like the 2011 Omnibus Incentive Plan, permit long-term equity awards. If the 2013 Omnibus Incentive Plan is approved at the annual meeting, then no future awards will be made under the 2011 Omnibus Incentive Plan. See Proposal IV Approval of the 2013 Omnibus Stock Incentive Plan.

Employment Agreements and Post-Termination Payments

As previously discussed, the Company has entered into employment agreements with each of the Named Executive Officers. The Compensation Committee determined that the compensation packages provided under these agreements was fair and reasonable on the basis of its assessment of comparable compensation opportunities available to the individuals, including the compensation arrangements of the Named Executive Officer at his prior place of employment, in the case of new hires. The specifics of these arrangements are described in detail below under Employment Agreements.

Payments Due Upon Termination or a Change in Control

Under the terms of our equity-based compensation plans and their respective employment agreements, the Chief Executive Officer and the other Named Executive Officers are entitled to severance benefits upon termination of their employment under specified circumstances. The specific terms of these arrangements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end, are described in detail below under Employment Agreements and Potential Payments upon Termination or Change in Control.

In the case of each employment agreement, the terms of these arrangements were set through the course of arms-length negotiations with the Named Executive Officer. As part of these negotiations, the Compensation Committee analyzed the terms of arrangements for comparable executives employed by companies in the banking industry. At the time of entering into these arrangements, the Compensation Committee considered the aggregate potential obligations of the Company in the context of the desirability of hiring or retaining the individual. The Compensation Committee believes that these arrangements can play a significant role in attracting and retaining key executive officers by providing security to the executive and leadership continuity to the Company.

The 2011 Omnibus Incentive Plan currently provides for the accelerated vesting of equity awards in the event of a change in control. In addition, certain employment agreements as well as certain forms of equity agreements provide for accelerated vesting of equity-based awards upon either a change in control or certain terminations of employment.

The Compensation Committee believes that for senior executives, including the Named Executive Officers, accelerated vesting of equity-based awards in the event of a change in control is generally appropriate because in some change in control situations equity of the target company is cancelled making immediate acceleration necessary in order to preserve the value of the award. In addition, the Company relies primarily on long-term incentive awards to provide the Named Executive Officers with the opportunity to accumulate substantial resources to fund their retirement income, and the Compensation Committee believes that a change in control event is an appropriate liquidation point for awards designed for such purpose.

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Recoupment Policy

Under Section 304 of the Sarbanes Oxley Act, if the Company is required to restate its financial statements due to material noncompliance with any financial reporting requirements as a result of misconduct, the Chief Executive Officer and Chief Financial Officer may be required to reimburse the Company for (i) any bonus or other incentive-based or equity-based compensation received during the 12 months following the first public issuance of the non-complying document, and (ii) any profits realized from the sale of securities of the Company during that 12-month period. The Company plans to amend the recoupment policy to comply with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 once final rules have been implemented.

Impact of Tax and Accounting

As a general matter, the Compensation Committee takes into account the various tax and accounting implications of the compensation vehicles employed by the Company.

Accounting Impact

When determining amounts of long-term incentive grants to executives and employees, the Compensation Committee examines the accounting cost associated with the grants. Under FASB ASC Topic 718, grants of equity-based awards result in an accounting charge for the Company equal to the grant date fair value of those securities.

Tax Impact

Section 162(m) of the Internal Revenue Code does not permit publicly traded companies to take income tax deductions for compensation paid to the Chief Executive Officer and the other Named Executive Officers (other than the Chief Financial Officer) to the extent that compensation exceeds $1.0 million per officer in any taxable year and does not otherwise qualify as performance-based compensation. The 2011 Omnibus Incentive Plan is structured so that the compensation deemed paid to an executive officer in connection with the exercise of stock options should qualify as performance-based compensation not subject to the $1.0 million limitation. Awards of restricted stock or RSUs made under the 2011 Omnibus Incentive Plan may or may not qualify as performance-based compensation. The 2012 incentive awards paid out in restricted stock and cash to the Named Executive Officers during fiscal year 2012 did not qualify as performance-based compensation under Section 162(m) of the Code and therefore, if any of the Named Executive Officers total compensation exceeds the $1.0 million limit, the incentive awards issued to such officer may not be deductible for income tax purposes. The proposed 2013 Omnibus Incentive Plan to be voted on by shareholders at the annual meeting is structured in a manner similar to the 2011 Omnibus Incentive Plan with regard to equity-based compensation and Section 162(m) of the Code. See Proposal IV Approval of the 2013 Omnibus Stock Incentive Plan.

The Compensation Committee will continue to consider steps that might be in the Company s best interests to comply with Section 162(m) of the Code. However, in establishing the cash and equity incentive compensation programs for the executive officers, the Compensation Committee believes that the potential deductibility of the compensation payable under those programs should be only one of a number of relevant factors taken into consideration, and not the sole or primary factor. The Compensation Committee believes that cash and equity incentive compensation must be maintained at the requisite level to attract and retain the executive officers essential to the Company s financial success, even if all or part of that compensation may not be deductible by reason of the limitations of Section 162(m) of the Code.

Section 280G of the Internal Revenue Code provides that severance payments triggered by a change in control, which equal or exceed three times the individual s base amount are deemed to be excess parachute payments. Individuals receiving parachute payments in excess of three times their base amount are subject to a 20% excise tax on the amount of the excess payments. If excess parachute payments are made, the Company and the Bank would not be entitled to deduct the amount of the excess payments. Each employment agreement provides that severance and other payments that are subject to a change in control will be reduced as much as necessary to ensure that no amounts payable to the executive will be considered excess parachute payments.

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained above with management and, based on such review and discussion, the Compensation Committee recommended to the Company s Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The foregoing report is furnished by the Compensation Committee of the Company s Board of Directors:

Chad T. Brownstein

Timothy R. Chrisman

Jonah Schnel

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Summary Compensation Table

The following table sets forth information regarding the compensation paid to or earned by the Named Executive Officers.

Name and Principal Position	Year	Salary	Bonus	Stock Awards(9)	Option/ SAR Awards(10)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Steven A. Sugarman Chief Executive Officer of the Company(1)	2012	$ 191,605	$ 150,750(8)	$ 74,250	$ 1,790,000	$	$	$ 126,846(11)	$ 2,333,451
Robert M. Franko President of the Company and President and Chief Executive Officer of PacTrust Bank and Beach Business Bank(2)	2012	$ 277,100	0(8)	$ 803,597	$	$	$	$ 5,759(11)	$ 1,086,456
Ronald J. Nicolas, Jr. Executive Vice President and Chief Financial Officer of the Company(3)	2012	$ 37,521	$ 83,750(8)	$ 325,248	$ 218,250	$	$	$ 17,058(11)	$ 681,827
Richard A. Herrin Executive Vice President, Chief Administrative Officer and Corporate Secretary of the Company and Executive Vice President of PacTrust Bank(4)	2012	$ 265,000	$ 83,500(8)	$ 142,095	$	$	$	$ 13,415(11)	$ 504,010
Chang M. Liu	2012	$ 248,077	$ 120,000(8)	$ 100,480	$	$	$	$ 11,398(11)	$ 439,955