FIRST PACTRUST BANCORP INC
Form 424B5
April 10, 2012
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Filed pursuant to Rule 424(b)(5)
Registration No. 333-170622

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Subject to completion, dated April 10, 2012

PROSPECTUS SUPPLEMENT

(To Prospectus dated November 23, 2010)

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% Senior Notes Due , 2020

First PacTrust Bancorp, Inc., or First PacTrust, is offering and selling % Senior Notes due , 2020. The notes will be issued in denominations of $25 and integral multiples of $25 in excess thereof, will mature on , 2020 and will bear interest at a fixed rate of % per year. Interest on the notes will be payable quarterly in arrears on , , and of each year, beginning , 2012.

The notes will be unsecured obligations of ours and will rank equally with all our existing and future unsecured indebtedness and senior in right of payment to any of our existing or future obligations that are by their terms expressly subordinated or junior in right of payment to the notes. Because First PacTrust is a holding company, our cash flows and consequent ability to service our obligations, including our debt securities, are dependent on distributions and other payments of earnings to us by our subsidiaries, and funds raised from borrowings or in the capital markets. Accordingly, our right to receive any assets of our subsidiaries upon their liquidation or reorganization, and the consequent right of the holders of the debt securities to participate in those assets, will be effectively subordinated to the claims of our subsidiaries creditors.

We may, at our option, on , 2015, or on any scheduled interest payment date thereafter, redeem some or all of the notes as described in Description of Notes Optional Redemption. There is no sinking fund for the notes. We intend to apply to list the notes on the NASDAQ Global Market. We expect trading in the notes on NASDAQ to begin within 30 days of , 2012, the original issue date. We may from time to time purchase the notes in the open market or otherwise.

Investing in the notes involves risks. See Risk Factors beginning on page S-6.

The notes are not deposits or obligations of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

	Public Offering Price(1)	Underwriting Discounts and Commissions	Proceeds to First PacTrust(2)
Per note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from , 2012.

(2) Before deducting expenses of the offering.

It is expected that delivery of the notes in book-entry form only will be made through the facilities of The Depository Trust Company on or about , 2012 against payment therefor in immediately available funds.

Sole Book-Running Manager

D.A. Davidson & Co. Sterne Agee Wunderlich Securities

Co-Lead Managers

FIG Partners, LLC

Co-Manager

, 2012

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this notes offering. The second part, the base prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized anyone to provide you with different or additional information from that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters are offering to sell the notes, and seeking offers to buy the notes, only in jurisdictions where offers and sales are permitted.

The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates of this prospectus supplement and the accompanying prospectus, regardless of the time of delivery of this prospectus supplement or any sales of the notes.

In this prospectus supplement and the accompanying prospectus, references to First PacTrust, we, our and us mean First PacTrust Bancorp, Inc excluding, unless the context otherwise requires or as otherwise expressly stated, its subsidiaries.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus and the information incorporated by reference in them includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including those identified by the words may, will, should, could, anticipate, believe, continue, estimate, expect, forecast, intend, plan, potential, or project and similar exp forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements, including, but not limited to:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the stock purchase agreement for the Company s pending acquisition of Gateway, as defined herein, or the merger agreement for the Company s pending merger with Beach, as defined herein;
- the inability to complete the Beach or Gateway transaction described in this prospectus supplement and in the documents incorporated by reference herein due to the failure to satisfy each transaction s respective conditions to completion, including the receipt of regulatory approvals;
- risks that the Beach or Gateway transaction disrupts current plans and operations, the potential difficulties in customer and employee retention as a result of the pending transactions and the amount of the costs, fees, expenses and charges related to the proposed transactions;
- continuation or worsening of current recessionary conditions, as well as continued turmoil in the financial markets;
- the credit risks of lending activities, which may be affected by further deterioration in the real estate markets, may lead to increased loan delinquencies, losses and nonperforming assets in our loan portfolio, and may result in our allowance for loan losses not being adequate to cover actual losses and require us to materially increase our loan loss reserves;
- the quality and composition of our securities portfolio;
- changes in general economic conditions, either nationally or in our market areas;
- changes in the levels of general interest rates, and the relative differences between short- and long-term interest rates, deposit interest rates, our net interest margin and funding sources;
- fluctuations in the demand for loans, the number of unsold homes and other properties and fluctuations in commercial and residential real estate values in our market area;
- results of examinations of us by regulatory authorities and the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan losses, write-down asset values, increase our capital levels, or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings;

legislative or regulatory changes that adversely affect our business, including changes in the interpretation of regulatory capital or other rules;

our ability to control operating costs and expenses;

staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges;

errors in our estimates in determining fair value of certain of our assets, which may result in significant declines in valuation;

the network and computer systems on which we depend could fail or experience a security breach;

our ability to attract and retain key members of our senior management team;

- costs and effects of litigation, including settlements and judgments;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and saving habits;
- adverse changes in the securities markets;
- earthquake, fire or other natural disasters affecting the condition of real estate collateral;
- the availability of resources to address changes in laws, rules or regulations or to respond to regulatory actions;
- inability of key third-party providers to perform their obligations to us;
- changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board or their application to our business or final audit adjustments, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods;
- war or terrorist activities; and
- other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described elsewhere in this prospectus supplement or the documents incorporated by reference herein.

Some of these and other factors are discussed in our annual and quarterly reports previously filed with the Securities and Exchange Commission, or the SEC. Such developments could have an adverse impact on our financial position and results of operations.

The forward-looking statements are based on our management s beliefs and assumptions and are made as of the date of this prospectus supplement (or, in the case of such statements contained in the accompanying prospectus, or document incorporated by reference, as of the date on the front of such prospectus or document). We undertake no obligation to publicly update or revise any forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus supplement or in the incorporated documents might not occur, and you should not put undue reliance on any forward-looking statements.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy any materials we file with the SEC at the SEC s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can obtain information about the operation of the SEC s public reference room by calling the SEC at 1-800-732-0330. The SEC also maintains a website at http://www.sec.gov that contains information we file electronically with the SEC.

We have filed a Registration Statement on Form S-3 (File No. 333-170622) with the SEC regarding the securities offered hereby. This prospectus supplement does not contain all of the information set forth in the registration statement or in the exhibits and schedules thereto, in accordance with the rules and regulations of the SEC, and we refer you to that omitted information. The statements made in this prospectus supplement pertaining to the content of any contract, agreement or other document that is an exhibit to the registration statement necessarily are summaries of their material provisions and we qualify those statements in their entirety by reference to those exhibits for complete statements of their provisions. The registration statement and its exhibits and schedules are available at the SEC s public reference room or through its website.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with it, which means we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus supplement, and information we subsequently file with the SEC will automatically update and supersede that information. We incorporate by reference the documents listed below and any filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, (File Number 000-49806) (excluding, in each case, information deemed to be furnished and not filed with the SEC) after the date of this prospectus supplement until the completion of this offering. The documents we incorporate by reference are:

- our Annual Report on Form 10-K for the year ended December 31, 2011 filed on March 30, 2012;

- our Current Reports on Form 8-K filed with the SEC on January 6, 2012, February 28, 2012, March 2, 2012, March 8, 2012, April 5, 2012 and April 10, 2012; and

- the information set forth under the captions Stock Ownership, Proposal 1 Election of Directors, Director Compensation, Business Relationships and Transactions with Executive Officers and Directors and Related Persons, Board of Directors Meetings and Committee and Corporate Governance Matters, and Compensation of Executive Officers our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 25, 2011.

We will provide without charge to each person to whom a copy of this prospectus supplement has been delivered, upon written or oral request, a copy of any or all of the documents we incorporate by reference in this prospectus supplement, other than any exhibit to any of those documents, unless we have specifically incorporated that exhibit by reference into the information this prospectus supplement incorporates. You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing) at no cost, by writing or calling us at Investor Relations, First PacTrust Bancorp, Inc., 18500 Von Karman Avenue, Suite 1100, Irvine, California 92612, telephone number (949) 236-5211.

In reviewing any agreements incorporated by reference, please remember that they are included to provide you with information regarding the terms of such agreements and are not intended to provide any other factual or disclosure information. The agreements may contain representations and warranties, which should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate. The representations and warranties were made only as of the date of the relevant agreement or such other date or dates as may be specified in such agreement and are subject to more recent developments. Accordingly, these representations and warranties alone may not describe the actual state of affairs as of the date they were made or at any other time.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. Because it is a summary, it may not contain all of the information that is important to you. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the section entitled Risk Factors beginning on page S-6 of this prospectus supplement, as well as the documents incorporated by reference in this prospectus supplement, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on March 30, 2012, incorporated by reference herein, before making a decision to invest in the notes.

First PacTrust

We are a unitary savings and loan holding company incorporated in the state of Maryland, primarily engaged in the business of planning, directing and coordinating the business activities of our wholly owned subsidiary, Pacific Trust Bank, a federally chartered savings bank, referred to herein as the Bank. We are headquartered in Irvine, California and currently have 15 banking offices including 11 full-service deposit taking branches, 3 limited-service deposit gathering branches and one loan production office, primarily serving San Diego, Riverside, Orange and Los Angeles Counties, California. The Bank is a 71-year-old, community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. The Bank s principal business consists of attracting retail deposits from the general public and investing these funds primarily in permanent loans secured by first mortgages on owner-occupied, one- to four-family residences and a variety of consumer loans. The Bank also originates loans secured by multi-family and commercial real estate and, to a lesser extent, commercial business loans.

At December 31, 2011, we had total assets of $999.0 million, an increase of $137.4 million, or 15.9%, from year-end 2010. 2011 loan growth included $199.1 million of new production at an average yield of 5.3%. Our loans receivable, net of valuation allowances, increased by $97.4 million, or 14.4%, to $775.6 million over the same period. Additionally, over that period, our total deposits increased by $140.0 million, or 21.7%, to $786.3 million at December 31, 2011. For the year ended December 31, 2011, we reported total shareholders equity of $184.5 million, an increase of $48.5 million, or 35.6%, and a net loss of $2.7 million due largely to the establishment of additional reserves and realization of losses on legacy other real estate owned. For the year ended December 31, 2010, we had pre-tax, pre-provision earnings of $9.1 million, adjusted for other real estate owned, or OREO, charges.[1] As of December 31, 2011, we held Tier 1 equity of $185.0 million, and fourth quarter Tier-1, Tier-1 Risk-Based and Total Risk-Based capital ratios of 18.5%, 24.5% and 25.7%, respectively.[2] As of December 31, 2011, our pro forma Tier-1, Tier-1 Risk-Based and Total Risk-Based capital ratios, which give effect to the Gateway and the Beach transactions, as described in Recent Developments, were 12.4%, 16.2% and 17.0%, respectively. As of December 31, 2011, the Bank remained well capitalized, with fourth quarter Tier-1, Tier-1 Risk-Based and Total Risk-Based capital ratios of 13.1%, 17.3% and 18.6%, respectively.

Our goal is to be the premier community bank in southern California, serving the needs of growing families, high net worth individuals, professionals and small to mid-sized businesses and their owners. Toward this end, we recently adopted a new business plan aimed at completing our transformation from a traditional thrift to a full-service community bank through a combination of organic growth and acquisitions. Our first step in executing that plan was the completion in November 2010 of a $60.0 million common stock offering, which

1 For a reconciliation to our net income for the year ended December 31, 2010, see note (1) in Selected Historical Financial Data.

2 First PacTrust is not required to maintain any regulatory capital ratios and any ratios shown are only as if First PacTrust had to maintain regulatory capital similar to the rules applicable to and governing its subsidiary, Pacific Trust Bank.

enabled us to repay in full the funds received under the U.S. Treasury s Capital Purchase Program and repurchase the warrant we issued to the U.S. Treasury. That transaction also facilitated the recruitment of our current senior management team, including our President and Chief Executive Officer, Gregory A, Mitchell, and an experienced team of community bankers who have demonstrated expertise in executing business strategies built on strong organic growth supported by mergers and acquisitions.

Our principal executive offices are located at 18500 Von Karman Avenue, Suite 1100, Irvine, California 92612. Our telephone number is (949) 236-5211. Our internet address is www.firstpactrustbancorp.com. Information contained on or accessible from our website is not incorporated into this prospectus supplement or the accompanying prospectus and does not constitute a part of this prospectus supplement or the accompanying prospectus.

Recent Developments

Gateway Bancorp Acquisition

On June 3, 2011, we entered into a definitive agreement to acquire Gateway Bancorp, or Gateway, the holding company for Gateway Business Bank, for an aggregate purchase price of up to $17 million in cash, which we intend to finance with cash on hand. At December 31, 2011, Gateway Business Bank had total assets of $201.6 million, total loans of $144.0 million and total deposits of $173.2 million. The acquisition includes Mission Hills Mortgage Bankers, the mortgage banking operating division of Gateway Business Bank. Mission Hills has originated over $5.5 billion of mostly prime mortgage loans since 2006, a majority of which have been sold servicing-released through correspondent relationships with money center banks. Gateway Business Bank currently operates two full service branches in Laguna Hills and Lakewood, California. Mission Hills Mortgage Bankers operates 23 retail mortgage production offices throughout California, Oregon, Washington and Arizona.

Completion of the transaction is subject to certain conditions, including regulatory approval. We expect to complete the transaction in 2012, although we cannot assure you that the transaction will close on such timetable or at all.

Beach Business Bank Acquisition

On August 30, 2011, we entered into a definitive agreement to acquire Beach Business Bank, or Beach. At December 31, 2011, Beach had total assets of $305.1 million, total loans of $261.0 million and total deposits of $251.1 million. Beach currently operates three full-service branches in Los Angeles County and Orange County of California.

Pursuant to the merger agreement, each share of Beach common stock will be converted into (1) 0.33 of a share of our common stock, subject to certain adjustments, and (2) $4.61 in cash. In certain circumstances, including if the average value of a share of our common stock is less than $13.50 for a period of time prior to the closing of the merger (as defined in the merger agreement), the merger will be restructured and each share of Beach common stock will be converted into (1) $9.12 in cash and (2) one warrant to purchase 0.33 of a share of our common stock at an exercise price of $14.00 per share of our common stock, exercisable for one year following completion of the merger. As of April 9, 2012, the closing share price of our common stock was $11.23 per share as reported on the Nasdaq Global Market. Because the merger was not completed on or before April 2, 2012 due to the failure to obtain required regulatory approvals, the aggregate consideration payable to Beach shareholders will be increased by $100,000 for each month beginning on February 1, 2012 until the merger is completed. However, this additional consideration will not exceed the net income of Beach during the period beginning on February 1, 2012 and ending on the date of the completion of the merger. We will have the option to deliver this increase to the merger consideration in cash, shares of our common stock or any combination thereof, unless the merger is restructured as described in the second sentence of this paragraph, in which case such increase will be paid in cash. We plan to finance the cash portion of the merger consideration with cash on hand. The shareholders of Beach have approved the merger, and the merger is expected to close during the second quarter of 2012 following the receipt of regulatory approvals and satisfaction of other customary conditions, although we cannot assure you that the transaction will close on such timetable or at all.

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At the completion of the acquisitions of Gateway and Beach, the combined company is expected to operate through 19 bank branch locations throughout Southern California (including Los Angeles, Orange, Riverside and San Diego Counties) and 27 loan production offices in California, Oregon, Washington and Arizona.

If the Beach merger is completed, we will cease being a unitary thrift holding company and will become a bank holding company instead. Once we become a bank holding company, we will be subject to bank holding company capital requirements. In our capacity as a bank holding company, we will be primarily engaged in the business of planning, directing and coordinating the business activities of two wholly owned FDIC-insured depository institutions, the Bank, a federally chartered savings bank, and Beach, a California-chartered state bank.

Preferred Shares Issued to the Treasury Under the Small Business Lending Fund

On August 30, 2011, as part of the Small Business Lending Fund, or SBLF, program of the United States Department of the Treasury, or Treasury, we entered into a Small Business Lending Fund-Securities Purchase Agreement, or Purchase Agreement with the Secretary of the Treasury, pursuant to which we sold 32,000 shares of the Company s Senior Non-Cumulative Perpetual Preferred Stock, Series A, or the SBLF Preferred Stock, having a liquidation preference of $1,000 per share, to Treasury for a purchase price of $32 million. The SBLF is a $30 billion fund established under the Small Business Jobs Act of 2010 that was created to encourage lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion.

The SBLF Preferred Stock qualifies as Tier 1 capital. The holder of SBLF Preferred Stock is entitled to receive non-cumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1, beginning October 1, 2011. The dividend rate, as a percentage of the liquidation amount, can fluctuate on a quarterly basis during the first ten quarters during which the SBLF Preferred Stock is outstanding, based upon changes in the amount of Qualified Small Business Lending, (as defined in the Purchase Agreement), or QSBL, of the Bank from a baseline level (the average of the bank s quarter-end QSBL for the four quarters ended June 30, 2010).

The SBLF Preferred Stock is non-voting, except in limited circumstances. The SBLF Preferred Stock may be redeemed in whole or in part at any time at the Company s option, at a redemption price of 100% of the liquidation amount plus any unpaid dividends for the current dividend period to, but excluding, the date of redemption, subject to the approval of its federal banking regulator. The SBLF Preferred Stock is not subject to any restrictions on transfer.

Director Compensation

In mid-2011, in light of the significantly increased time commitment and demands associated with serving on our board of directors following the completion of the Company s recapitalization, and in the interest of continuing to attract and retain qualified director candidates, the Compensation Committee of our board of directors, with the assistance of independent compensation consultants, reviewed the compensation paid to our directors. As a result of this review, the Compensation Committee has recommended certain modifications to our director compensation programs, including increasing the aggregate compensation levels available under such programs, reducing the cash component and increasing the equity component of such programs. The Company s board of directors implemented these recommendations at a meeting of the board held on October 24, 2011, and resolved that the modifications would apply retroactively to May 25, 2011, the date of the 2011 Annual Meeting of the Company s shareholders.

Risk Factors

Investing in the notes involves risks. You should carefully consider the information under Risk Factors beginning on page S-6 of this prospectus supplement and under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on March 30, 2012, as well as all other information included in this prospectus, including the documents incorporated by reference in this prospectus.

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The Offering

In this section, The Offering, the Company, we, our, or us refer only to First PacTrust Bancorp, Inc. and not to any of its subsidiaries.

Issuer	First PacTrust Bancorp, Inc.
Securities Offered	$ aggregate principal amount of % Senior Notes due , 2020.
Maturity Date	, 2020
Issue Price	% of the principal amount per note plus accrued interest, if any, from the date of issuance.
Interest	We will pay interest on the notes quarterly in arrears on , , , and of each year beginning , 2012, at a rate of % per annum.
Ranking	The notes will be unsecured obligations of the Company and will rank equally with all our existing and future unsecured and indebtedness and senior in right of payment to any of our existing or future obligations that are by their terms expressly subordinated or junior in right of payment to the notes.
	Because First PacTrust is a holding company, our cash flows and consequent ability to service our obligations, including our debt securities, are dependent on distributions and other payments of earnings to us by our subsidiaries, and funds raised from borrowings or in the capital markets. Accordingly, our right to receive any assets of our subsidiaries upon their liquidation or reorganization, and the consequent right of the holders of the debt securities to participate in those assets, will be effectively subordinated to the claims of our subsidiaries creditors.
	At December 31, 2011, our subsidiaries had outstanding indebtedness and other liabilities (excluding deposits in the Bank) aggregating approximately $28.2 million. The Bank had $786.3 million in deposit liabilities at that date.
Redemption	We may, at our option, on , 2015, or on any scheduled interest payment date thereafter, redeem some or all of the notes as described in Description of the Notes Optional Redemption.
Certain Covenants	We will issue the notes under an indenture (or the indenture) to be dated the issuance date between us and U.S. Bank National Association (as supplemented by a supplemental indenture with respect to the notes). The indenture includes several covenants which will, among other things, restrict our ability and the ability of our subsidiaries to dispose of or

incur liens on the voting stock of certain subsidiaries.

	For more details, see the section in this prospectus supplement entitled Description of the Notes Covenants.
Trustee	U.S. Bank National Association will act as trustee under the indenture.
Use of Proceeds	We estimate that the net proceeds from the sale of the notes will be approximately $ million after deducting the underwriting discount and estimated expenses payable by us. We intend to retain the majority of the net proceeds from this offering at First PacTrust for possible acquisitions, support of organic growth, investments in, or extensions of credit to, our subsidiaries, investments in securities and for general corporate purposes. For more details, see the section in this prospectus supplement under the heading Use of Proceeds.
Denomination; Form	The notes will be issued only in fully registered form, without coupons, in denominations of $25 and integral multiples of $25. Each of the notes will be evidenced by one or more global notes deposited with the trustee for the notes, as custodian for the Depository Trust Company, or DTC. Beneficial interests in the global notes will be shown on, and transfers of those beneficial interests can only be made through, records maintained by DTC and its participants. See Description of the Notes General and Book-Entry, Delivery and Form.
Listing	We intend to apply to list the notes on the NASDAQ Global Market. We expect trading in the notes to begin within 30 days of , 2012, the original issue date.
Governing Law	The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York. The indenture will be subject to the provisions of the Trust Indenture Act of 1939, as amended.
Risk Factors	Investing in the notes involves risks. Before deciding whether to invest in the notes, you should carefully consider the information set forth in the section of the prospectus supplement entitled Risk Factors beginning on page S-6, as well as the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus.

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RISK FACTORS

An investment in the notes involves various risks. You should carefully consider the risk factors described in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and our other reports filed from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, as the same may be amended, supplemented or superseded from time to time by our filings under the Exchange Act. You should carefully consider the risks described below, and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before investing in the notes. The risks described below are not the only risks applicable to us. Additional risks not currently known to us or that we currently consider immaterial also may impair our business.

Risks Relating to Our Business and Operating Environment

Our business strategy includes significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to pursue an organic and acquisition growth strategy for our business. We regularly evaluate potential acquisitions and expansion opportunities. If appropriate opportunities present themselves, we expect to engage in selected acquisitions of financial institutions, branch acquisitions and other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful.

There are risks associated with our growth strategy. To the extent that we grow through acquisitions, we cannot ensure that we will be able to adequately or profitably manage this growth. Acquiring other banks, branches or other assets, as well as other expansion activities, involves various risks including the risks of incorrectly assessing the credit quality of acquired assets, encountering greater than expected costs of integrating acquired banks or branches into the Bank, the risk of loss of customers and/or employees of the acquired institution or branch, executing cost savings measures, not achieving revenue enhancements and otherwise not realizing the transaction s anticipated benefits. Our ability to address these matters successfully cannot be assured. In addition, our strategic efforts may divert resources or management s attention from ongoing business operations, may require investment in integration and in development and enhancement of additional operational and reporting processes and controls, and may subject us to additional regulatory scrutiny.

Our growth initiatives may also require us to recruit experienced personnel to assist in such initiatives. Accordingly, the failure to identify and retain such personnel would place significant limitations on our ability to successfully execute our growth strategy. In addition, to the extent we expand our lending beyond our current market areas, we could incur additional risks related to those new market areas. We may not be able to expand our market presence in our existing market areas or successfully enter new markets.

If we do not successfully execute our acquisition growth plan, it could adversely affect our business, financial condition, results of operations, reputation and growth prospects. In addition, if we were to conclude that the value of an acquired business had decreased and that the related goodwill had been impaired, that conclusion would result in an impairment of goodwill charge to us, which would adversely affect our results of operations. While we believe we will have the executive management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth.

We may fail to realize all of the anticipated benefits of our pending acquisition of Gateway.

On June 3, 2011, we entered into a definitive agreement to acquire all of the outstanding stock of Gateway, the holding company for Gateway Business Bank. The closing of the transaction is subject to the satisfaction of certain conditions, including the receipt of all necessary or advisable regulatory approvals. No assurance can be

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given as to when or whether these approvals will be received. The success of our pending acquisition of Gateway will depend on, among other things, our ability to realize anticipated cost savings and to combine the businesses of the Bank and Gateway Business Bank in a manner that does not materially disrupt the existing customer relationships of either institution or result in decreased revenues from our respective customers. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected.

The Bank and Gateway have operated and, until the completion of the merger of the two institutions, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each institution s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, depositors and employees or to achieve the anticipated benefits of the acquisition. Integration efforts between the two institutions will also divert management attention and resources. These integration matters could have an adverse effect on the combined institution following completion of the acquisition.

One of the anticipated benefits of the Gateway acquisition is the diversification of our revenue stream through non-interest income realized from the mortgage banking operations of Mission Hills Mortgage Bankers, a division of Gateway Business Bank. Most of the revenues generated by Mission Hills come from gains on the sale of single-family mortgage loans pursuant to programs currently offered by Fannie Mae, Freddie Mac and investors other than government sponsored enterprises on a servicing-released basis. These entities account for a substantial portion of the secondary market in residential mortgage loans. Any future changes in these programs, reduction in number of entities to sell to, eligibility to participate in such programs, the criteria for loans to be accepted or laws that significantly affect the activity of such entities could, in turn, materially reduce the revenues generated by Mission Hills. Further, in a rising or higher interest rate environment, originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage banking revenues and a corresponding decrease in our non-interest income following the Gateway acquisition. Our post-acquisition results of operations also will be affected by the amount of non-interest expense associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations.

We may fail to realize all of the anticipated benefits of our pending acquisition of Beach.

On August 30, 2011, we entered into a merger agreement to acquire Beach. The closing of the transaction is subject to the satisfaction of certain conditions, including the receipt of all necessary or advisable regulatory approvals. No assurance can be given as to when or whether these approvals will be received. The success of our pending acquisition of Beach will depend on, among other things, our ability to realize anticipated cost savings and to combine the businesses of the Bank and Beach in a manner that does not materially disrupt the existing customer relationships of either institution or result in decreased revenues from our respective customers. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected.

The Bank and Beach have operated and, until the completion of the merger of the two institutions, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each institution s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, depositors and employees or to achieve the anticipated benefits of the acquisition. Integration efforts between the two institutions will also divert management attention and resources. These integration matters could have an adverse effect on the combined institution following completion of the acquisition.

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Our financial condition and results of operations are dependent on the economy, particularly in the Bank s market area. The current economic conditions in the market areas we serve may continue to impact our earnings adversely and could increase the credit risk of our loan portfolio.

Our primary market area is concentrated in the greater San Diego market area. Adverse economic conditions in that market area can reduce our rate of growth, affect our customers ability to repay loans and adversely impact our financial condition and earnings. General economic conditions, including inflation, unemployment and money supply fluctuations, also may affect our profitability adversely. Weak economic conditions and ongoing strains in the financial and housing markets have resulted in higher levels of loan delinquencies, problem assets and foreclosures and a decline in the values of the collateral securing our loans.

A further deterioration in economic conditions in the market areas we serve could result in the following consequences, any of which could have a material adverse effect on our business, financial condition and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for our loans may further decline in value; and
- the amount of our low-cost or non-interest-bearing deposits may decrease.

We cannot accurately predict the effect of the weakness in the national economy on our future operating results or the market price of our voting common stock.

The national economy in general and the financial services sector in particular are currently facing challenges of a scope unprecedented in recent history. We cannot accurately predict the severity or duration of the current economic downturn, which has adversely impacted the markets we serve. Any further deterioration in national or local economic conditions would have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and could also cause the market price of our voting common stock to decline. While it is impossible to predict how long these conditions may exist, the current economic downturn could present substantial risks for some time for the banking industry and for us.

Our allowance for loan losses may prove to be insufficient to absorb probable incurred losses in our loan portfolio.

Lending money is a substantial part of our business. Every loan carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- cash flow of the borrower and/or the project being financed;
- in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral;
- the credit history of a particular borrower;
- changes in economic and industry conditions; and

the duration of the loan.

We maintain an allowance for loan losses which we believe is appropriate to provide for probable incurred losses in our loan portfolio. The amount of this allowance is determined by our management through a periodic review and consideration of several factors, including, but not limited to:

- an ongoing review of the quality, size and diversity of the loan portfolio;
- evaluation of non-performing loans;

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historical default and loss experience;

historical recovery experience;

existing economic conditions;

risk characteristics of the various classifications of loans; and

the amount and quality of collateral, including guarantees, securing the loans.

If our loan losses exceed our allowance for probable incurred loan losses, our business, financial condition and profitability may suffer.

The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and the loss and delinquency experience, and evaluate economic conditions and make significant estimates of current credit risks and future trends, all of which may undergo material changes. If our estimates are incorrect, the allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in the need for additions to our allowance through an increase in the provision for loan losses. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. Our allowance for loan losses was 1.62% of gross loans held for investment and 66.38% of nonperforming loans at December 31, 2011. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than that of management. If charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses. Any increases in the provision for loan losses will result in a decrease in net income and may have a material adverse effect on our financial condition and results of operations.

Our business may be adversely affected by credit risk associated with residential property and declining property values.

At December 31, 2011, $563.0 million, or 71.5% of our total gross loan portfolio, was secured by single-family mortgage loans and home equity lines of credit. This type of lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. The decline in residential real estate values as a result of the downturn in the California housing markets has reduced the value of the real estate collateral securing these types of loans and increased the risk that we would incur losses if borrowers default on their loans. Residential loans with high combined loan-to-value ratios generally will be more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, the borrowers may be unable to repay their loans in full from the sale proceeds. As a result, these loans may experience higher rates of delinquencies, defaults and losses, which will in turn adversely affect our financial condition and results of operations.

Our loan portfolio possesses increased risk due to our level of adjustable rate loans.

A substantial majority of our real estate secured loans held are adjustable-rate loans. Any rise in prevailing market interest rates may result in increased payments for borrowers who have adjustable rate mortgage loans, increasing the possibility of defaults that may adversely affect our profitability.

Our non-traditional, interest-only single-family residential loans expose us to increased lending risk.

Many of the residential mortgage loans we have originated for investment consisted of non-traditional single family loans that do not conform to Fannie Mae or Freddie Mac underwriting guidelines as a result of characteristics of the borrower or property, the loan terms, loan size or exceptions from agency underwriting guidelines, including our Green Account loans. The Green Account is a first mortgage line of credit with an associated clearing account that allows all types of deposits and withdrawals to be performed, including direct deposit, check, debit card, ATM, ACH debits and credits, and internet banking and bill payment transactions. At December 31, 2011, we had $247.5 million of Green Account loans, which represented 31.4% of our gross loan portfolio as of that date. Green Account home equity loans generally have a fifteen year draw period with interest-only payment requirements, a balloon payment requirement at the end of the draw period and a maximum 80% loan to value ratio. In addition to the Green Account loans, we had other interest-only single family residential mortgage loans totaling $125.6 million at December 31, 2011, representing 15.95% of our gross loan portfolio as of that date, and single family residential negative amortization loans (a loan in which accrued interest exceeding the required monthly loan payment may be added to loan principal) totaling $21.5 million, representing 2.73% of our gross loan portfolio as of December 31, 2011. We ceased originating negative amortization loans in 2006.

In the case of interest-only loans, a borrower s monthly payment is subject to change when the loan converts to fully-amortizing status. Since the borrower s monthly payment may increase by a substantial amount even without an increase in prevailing market interest rates, the borrower might not be able to afford the increased monthly payment. In addition, interest-only loans have a large, balloon payment at the end of the loan term, which the borrower may be unable to pay. Negative amortization involves a greater risk to us because credit risk exposure increases when the loan incurs negative amortization and the value of the home serving as collateral for the loan does not increase proportionally. Negative amortization is only permitted up to 110% of the original loan to value ratio during the first five years the loan is outstanding, with payments adjusting periodically as provided in the loan documents, potentially resulting in higher payments by the borrower. The adjustment of these loans to higher payment requirements can be a substantial factor in higher loan delinquency levels because the borrowers may not be able to make the higher payments. Also, real estate values may decline, and credit standards may tighten in concert with the higher payment requirement, making it difficult for borrowers to sell their homes or refinance their loans to pay off their mortgage obligations. For these reasons, interest-only loans and negative amortization loans are considered to have an increased risk of delinquency, default and foreclosure than conforming loans and may result in higher levels of realized losses. Furthermore, these loans are not as readily saleable as loans that conform to agency guidelines and often can be sold only after discounting the amortized value of the loan. As of December 31, 2011, 0.53% of our interest-only loans, totaling $2.0 million, were in non-performing status.

Our income property loans, consisting of commercial and multi-family real estate loans, involve higher principal amounts than other loans and repayment of these loans may be dependent on factors outside our control or the control of our borrowers.

We originate commercial and multi-family real estate loans for individuals and businesses for various purposes, which are secured by commercial properties. These loans typically involve higher principal amounts than other types of loans, and repayment is dependent upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service, which may be adversely affected by changes in the economy or local market conditions. For example, if the cash flow from the borrower s project is reduced as a result of leases not being obtained or renewed, the borrower s ability to repay the loan may be impaired. Commercial and multifamily real estate loans also expose us to greater credit risk than loans secured by residential real estate because the collateral securing these loans typically cannot be sold as easily as residential real estate. In addition, many of our commercial and multifamily real estate loans are not fully amortizing and contain large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or non-payment.

If we foreclose on a commercial and multi-family real estate loan, our holding period for the collateral typically is longer than for residential mortgage loans because there are fewer potential purchasers of the collateral. Additionally, commercial and multi-family real estate loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, if we make any errors in judgment in the collectability of our commercial and multi-family real estate loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. As of December 31, 2011, our commercial and multi-family real estate loans totaled $220.3 million, or 28.0% of our total gross loan portfolio.

If our investments in real estate are not properly valued or sufficiently reserved to cover actual losses, or if we are required to increase our valuation reserves, our earnings could be reduced.

We obtain updated valuations in the form of appraisals and broker price opinions when a loan has been foreclosed upon and the property is taken in as other real estate owned (OREO), and at certain other times during the asset s holding period. Our net book value (NBV) in the loan at the time of foreclosure and thereafter is compared to the updated market value (fair value) of the foreclosed property less estimated selling costs. A charge-off is recorded for any excess in the asset s NBV over its fair value. If our valuation process is incorrect, the fair value of our investments in real estate may not be sufficient to recover our NBV in such assets, resulting in the need for additional charge-offs. Additional material charge-offs to our investments in real estate could have a material adverse effect on our financial condition and results of operations. Our bank regulator periodically reviews our REO and may require us to recognize further charge-offs. Any increase in our charge-offs, as required by such regulator, may have a material adverse effect on our financial condition and results of operations.

Other-than-temporary impairment charges in our investment securities portfolio could result in losses and adversely affect our continuing operations.

As of December 31, 2011, the Company s investment securities portfolio consisted of fifty-four securities, thirty-seven of which were in an unrealized loss position. The majority of unrealized losses are related to the Company s private label residential mortgage-backed securities, as discussed below.

The Company s private label residential mortgage-backed securities that are in a loss position had a fair value of $73.1 million with unrealized losses of approximately $1.9 million at December 31, 2011. These non-agency private label residential mortgage-backed securities were rated AAA at purchase and are not within the scope of ASC 325. The Company monitors to ensure it has adequate credit support and as of December 31, 2011, the Company believes there is no other than temporary impairment (OTTI) and did not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

We closely monitor our investment securities for changes in credit risk. The valuation of our investment securities also is influenced by external market and other factors, including implementation of SEC and Financial Accounting Standards Board guidance on fair value accounting. Accordingly, if market conditions deteriorate further and we determine our holdings of other investment securities are OTTI, our future earnings, shareholders equity, regulatory capital and continuing operations could be materially adversely affected.

Rising interest rates may hurt our profits.

To be profitable, we have to earn more money in interest that we receive on loans and investments than we pay to our depositors and lenders in interest. If interest rates rise, our net interest income and the value of our assets could be reduced if interest paid on interest-bearing liabilities, such as deposits and borrowings, increases more quickly than interest received on interest-earning assets, such as loans, other mortgage-related investments and investment securities. This is most likely to occur if short-term interest rates increase at a faster rate than long-term interest rates, which would cause net income to go down. In addition, rising interest rates may hurt our income, because they may reduce the demand for loans and the value of our securities. In a rapidly changing interest rate environment, we may not be able to manage our interest rate risk effectively, which would adversely impact our financial condition and results of operations.

We face significant operational risks.

We operate many different financial service functions and rely on the ability of our employees, third-party vendors and systems to process a significant number of transactions. Operational risk is the risk of loss from operations, including fraud by employees or outside persons, employees execution of incorrect or unauthorized transactions, data processing and technology errors or hacking and breaches of internal control systems.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

We may elect or be compelled to seek additional capital in the future, but that capital may not be available when it is needed.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. At some point, we may need to raise additional capital to support continued growth, both organically and through acquisitions. If we raise additional capital, we may seek to do so through the issuance of, among other things, our common stock or preferred stock. The issuance of additional shares of common stock or convertible securities to new stockholders would be dilutive to our current stockholders.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through organic growth and acquisitions could be materially impaired and our financial condition and liquidity could be materially and adversely affected.

We depend on our key employees.

Our future prospects are and will remain highly dependent on our directors and executive officers. Our success will, to some extent, depend on the continued service of our directors and continued employment of the executive officers. The unexpected loss of the services of any of these individuals could have a detrimental effect on our business. Although we have entered into employment agreements with members of our senior management team, no assurance can be given that these individuals will continue to be employed by us. The loss of any of these individuals could negatively affect our ability to achieve our growth strategy and could have a material adverse affect on our results of operations and financial condition.

We currently hold a significant amount of bank-owned life insurance.

At December 31, 2011, we held $18.5 million of bank-owned life insurance (BOLI) on certain key and former employees and executives, with a cash surrender value of $18.4 million. The eventual repayment of the cash surrender value is subject to the ability of the various insurance companies to pay death benefits or to return the cash surrender value to us if needed for liquidity purposes. We continually monitor the financial strength of the various companies with whom we carry these policies. However, any one of these companies could experience a decline in financial strength, which could impair its ability to pay benefits or return our cash surrender value. If we need to liquidate these policies for liquidity purposes, we would be subject to taxation on the increase in cash surrender value and penalties for early termination, both of which would adversely impact earnings.

If our investment in the Federal Home Loan Bank of San Francisco becomes impaired, our earnings and shareholders equity could decrease.

At December 31, 2011, we owned $7.0 million in Federal Home Loan Bank (FHLB) stock. We are required to own this stock to be a member of and to obtain advances from our FHLB. This stock is not marketable and can only be redeemed by our FHLB, which currently is not redeeming any excess member stock. Our FHLB s financial condition is linked, in part, to the eleven other members of the FHLB System and to accounting rules and asset quality risks that could materially lower their capital, which would cause our FHLB stock to be deemed impaired, resulting in a decrease in our earnings and assets.

Our information systems may experience an interruption or breach in security; we may have fewer resources than many of our competitors to continue to invest in technological improvements.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. In addition, our future success will depend, in part, upon our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our clients.

We operate in a highly regulated environment and our operations and income may be affected adversely by changes in laws and regulations governing our operations.

We are subject to extensive regulation and supervision by the Board of Governors of the Federal Reserve System, or Federal Reserve Board, the OCC and the Federal Deposit Insurance Corporation, or FDIC. Such regulators govern the activities in which we may engage, primarily for the protection of depositors and the deposit insurance fund. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank s operations, reclassify assets, determine the adequacy of a bank s allowance for loan losses and determine the level of deposit insurance premiums assessed. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material adverse impact on our operations. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. Any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition or growth prospects. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. The

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recently enacted regulatory reform legislation described below will, among other things, change our primary regulator, create a new consumer finance protection agency and impose capital requirements on us at the holding company level. These changes could adversely impact our operations and net income.

The Dodd-Frank Act could have a material adverse effect on us.

The Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which was enacted into law on July 21, 2010, provides for, among other things, new restrictions and an expanded framework of regulatory oversight for financial institutions and their holding companies. Under the Dodd-Frank Act, effective July 21, 2011, the Bank s primary regulator, the OTS, was eliminated and existing federal thrifts, including the Bank, became subject to regulation and supervision by the OCC, which also supervises and regulates all national banks. In addition, on July 21, 2011, all savings and loan holding companies, including the Company, became subject to regulation and supervision by the Federal Reserve Board, which also supervises and regulates all bank holding companies. This change in regulation of savings and loan holding companies may result in the imposition of holding company capital requirements and additional restrictions on investments and other holding company activities. The Dodd-Frank Act also creates a new consumer financial protection bureau that will have the authority to promulgate rules intended to protect consumers in the financial products and services market. The creation of this independent bureau is likely to result in new regulatory requirements and raise the cost of regulatory compliance. In addition, new regulations mandated by the Dodd-Frank Act could require changes in regulatory capital requirements, loan loss provisioning practices and compensation practices. Effective July 21, 2011, financial institutions may pay interest on demand deposits, which could increase our interest expense. At this time, we cannot determine the full impact of the Dodd-Frank Act on our business and operations.

Increases in deposit insurance premiums and special FDIC assessments will negatively impact our earnings.

During 2009, our FDIC insurance premiums increased significantly and we may pay higher FDIC premiums in the future. The Dodd-Frank Act increased the minimum reserve ratio from 1.15% to 1.35%. The FDIC has adopted a plan under which it will meet this ratio by the statutory deadline of September 30, 2020. The Dodd-Frank Act requires the FDIC to offset the effect of the increase in the minimum reserve ratio on institutions with assets less than $10.0 billion. The FDIC has not announced how it will implement this offset. In addition to the minimum reserve ratio, the FDIC must set a designated reserve ratio. The FDIC has set a designated reserve ratio of 2.0, which exceeds the minimum reserve ratio.

As required by the Dodd-Frank Act, the FDIC has adopted final regulations under which insurance premiums are based on an institution s total assets minus its tangible equity instead of its deposits. While our FDIC insurance premiums initially will be reduced by these regulations, it is possible that our future insurance premiums will increase under the final regulations.

We rely on dividends from the Bank for substantially all of the Company s revenue.

The Company s primary source of revenue is earnings of available cash and securities and dividends from the Bank. The OCC regulates and must approve the amount of Bank dividends to the Company. If the Bank is unable to pay dividends, the Company may not be able to service its debt, pay its other obligations or pay dividends on the Company s preferred and common stock which could have a material adverse impact on our financial condition or the value of your investment in our common stock.

The Company has a significant deferred tax asset and may or may not be fully realized.

The Company has a significant deferred tax asset (DTA) and cannot assure that it will be fully realized. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and the tax basis of assets and liabilities computed using enacted tax rates. If we determine that we will not achieve sufficient future taxable income to realize our net deferred tax asset, we are required under generally accepted accounting principles to establish a full or partial valuation allowance. If we determine that a valuation allowance is necessary, we are required to incur a charge to operations. We regularly assess available positive and negative evidence to determine whether it is more likely than not that our net deferred tax asset will be realized. Realization of a deferred tax asset requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. At December 31, 2011, the Company had a net deferred tax asset of $7.6 million, net of a deferred tax asset valuation allowance of $1.3 million. Although realization is not assured, the Company believes that the realization of the recognized net deferred tax asset at December 31, 2011 is more likely than not based upon available tax planning strategies and expectations as to future taxable income.

Our ability to utilize our DTAs to offset future taxable income may be significantly limited if the Company experiences an ownership change under the Internal Revenue Code.

As of December 31, 2011, the Company had recognized net DTAs of approximately $7.6 million, which are included in our tangible common equity. The Company s ability to utilize its DTAs to offset future taxable income may be significantly limited if the Company experiences an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended, or the Code. In general, an ownership change will occur if there is a cumulative change in the Company s ownership by 5-percent or more shareholders (as defined in the Code) that exceeds 50 percentage points over a rolling three-year period. If this were to occur, the Company would be subject to an annual limitation on its pre-ownership change DTAs equal to the value of the corporation immediately before the ownership change, provided that the annual limitation would be increased each year to the extent that there is an unused limitation in a prior year.

Changes in accounting standards may affect our performance.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time there are changes in the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we report and record our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in a retrospective adjustment to prior financial statements.

Strong competition within our market area may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater name recognition, resources and lending limits than we do and may offer certain services or prices for services that we do not or cannot provide. Our profitability depends upon our continued ability to successfully compete in our market.

Risks Related to The Offering

The Notes are unsecured obligations of First PacTrust and not obligations of our subsidiaries and will be effectively subordinated to any future secured obligations of First PacTrust and to all of the obligations of First PacTrust s subsidiaries. Structural subordination increases the risk that we will be unable to meet our obligations on the notes when they mature.

The notes will be unsecured unsubordinated obligations of First PacTrust and will rank equally in right of payment with all of our other unsecured indebtedness and senior in right of payment to any of our existing or future obligations that are by their terms expressly subordinated or junior in right of payment to the notes. The notes will be effectively subordinated to any of our future secured indebtedness to the extent of the value of the

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assets securing that indebtedness. First PacTrust has no secured debt outstanding as of the date of this prospectus supplement. However, the indenture governing the notes does not limit the incurrence of additional indebtedness by First PacTrust, including indebtedness senior to the notes, or by its subsidiaries.

The notes will be obligations of First PacTrust only, are not obligations of or deposits in the Bank or its other subsidiaries, and are not insured by any government or private agency. Because First PacTrust is a holding company, its rights and the rights of its creditors, including the holders of the notes, to participate in any distribution of the assets of the Bank or First PacTrust s other subsidiaries, upon a liquidation, reorganization, or insolvency of the Bank or First PacTrust s other subsidiaries (and the consequent right of the holders of the notes to participate in those assets) will be subject to the claims of the creditors of the Bank or First PacTrust s other subsidiaries (including depositors in its subsidiaries). If First PacTrust is a creditor of the Bank or its other subsidiaries, the claims of First PacTrust would be subject to any prior security interest in the assets of the Bank or First PacTrust s other subsidiaries and any indebtedness of its subsidiaries senior to that of First PacTrust.

The notes are also effectively subordinated to all of the liabilities of the Bank or First PacTrust s other subsidiaries, to the extent of their assets, since they are separate and distinct legal entities with no obligation to pay any amounts due under First PacTrust s indebtedness, including the notes, or to make any funds available to make payments on the notes, whether by paying dividends or otherwise.

We depend primarily on cash dividends from our subsidiaries to meet our cash obligations. Failure of our subsidiaries to pay sufficient cash dividends would prevent us from paying interest on the notes or the principal of the notes at maturity.

First PacTrust is a holding company and reports financial information on a consolidated basis with its subsidiaries. Substantially all of the assets held by the consolidated companies are held by First PacTrust s subsidiaries, in particular, the Bank. As a holding company, dividends from the Bank provide a substantial portion of First PacTrust s cash flow, which will be used to pay interest on the notes. Various regulatory provisions limit the amount of dividends the Bank can pay to First PacTrust without regulatory approval. In certain cases, regulatory authorities may even prohibit the Bank from paying dividends to First PacTrust. The Bank did not pay dividends to First PacTrust in 2011.

We may not be able to generate sufficient cash to service our debt obligations, including our obligations under the notes.

Our ability to make payments on and to refinance our indebtedness, including the notes, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be unable to provide new loans, other products or to fund our obligations to existing customers and otherwise implement our business plans, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. As a result, we may be unable to meet our scheduled debt service obligations. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions of assets or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

There is no established trading market for the notes which could make it more difficult for you to sell your notes and could adversely affect their price.

The notes constitute a new issue of securities for which no established trading market exists. Consequently, it may be more difficult for you to sell your notes. If the notes are traded after their initial issuance, they may trade at a discount, depending upon:

- our financial condition;
- prevailing interest rates;
- the time remaining on the maturity of the notes;
- their subordination to our existing and future liabilities;
- the outstanding principal amount of the notes;
- the market for similar securities; and
- other factors beyond our control, including general economic conditions.

We intend to apply for a listing of the notes on the NASDAQ Global Market; however, we cannot assure you of the development or liquidity of any trading market for the notes following the offering.

General market conditions and unpredictable factors could adversely affect market prices for the notes.

There can be no assurance about the market prices for the notes. Several factors, many of which are beyond our control, will influence the market value of the notes. Factors that might influence the market value of the notes include, but are not limited to:

- our creditworthiness, financial condition, performance and prospects;
- the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally (including the occurrence of market disruption events).

If you purchase notes, whether in this offering or in the secondary market, the notes may subsequently trade at a discount to the price that you paid for them.

There are limited covenants in the indenture.

The indenture governing the notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the notes in the event that we experience material adverse changes in our financial condition or results of operations;

limit the ability of First PacTrust and its subsidiaries to incur indebtedness;

prevent First PacTrust or any of its subsidiaries from becoming subject to liens, except to the extent described under Description of the Notes Covenants in this prospectus supplement;

restrict our ability to pay dividends, prepay indebtedness ranking junior to the notes or make investments; or

restrict our ability to engage in any acquisition or other transaction, other than our ability to merge or consolidate with, or sell all or substantially all of our assets to, another person without the surviving person or transferee (if other than First PacTrust) assuming the obligations under the notes.

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For these reasons, you should not consider the covenants in the indenture as a significant factor in evaluating whether to invest in the notes.

An increase in the level of our outstanding indebtedness, or other events, could have an adverse impact on our business, properties, capital structure, financial condition, results of operations or prospects, which could adversely impact the trading prices for, or the liquidity of, the notes. Any such event could also adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in future debt agreements.

Increased leverage as a result of this offering may harm our financial condition and results of operations.

As of March 31, 2012, we had $25.0 million of long-term FHLB advances. As of March 31, 2012, we had 32,000 shares of SBLF Preferred Stock, with a liquidation preference of $1,000 per share, issued and outstanding.

Our level of indebtedness could have important consequences to you, because:

- it could affect our ability to satisfy our financial obligations, including those relating to the notes;
- a portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future;
- it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- it may make us more vulnerable to downturns in our business, our industry or the economy in general.

We may redeem the notes before maturity, and you may be unable to reinvest the proceeds at the same or a higher rate of return.

We may redeem all or a portion of the notes as described under Description of the Notes Optional Redemption. If a redemption does occur, you may be unable to reinvest the money you receive in the redemption at a rate that is equal to or higher than the rate of return on the notes.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes will be approximately $ million after deducting the underwriting discount and estimated expenses payable by us. We intend to retain the majority of the net proceeds from this offering at First PacTrust for possible acquisitions, support of organic growth, investments in, or extensions of credit to, our subsidiaries, investments in securities and for general corporate purposes.

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UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED

FINANCIAL INFORMATION

The following unaudited pro forma combined condensed consolidated financial information has been prepared using the acquisition method of accounting, giving effect to our proposed merger with Beach and our proposed acquisition of Gateway. The unaudited pro forma combined condensed consolidated statement of financial condition combines the historical financial information of the Company, Beach and Gateway as of December 31, 2011, and assumes that the proposed Beach merger and the proposed Gateway acquisition were completed on that date. The unaudited pro forma combined condensed consolidated statement of operations for the twelve month period ended December 31, 2011 gives effect to the proposed Beach merger and the proposed Gateway acquisition as if both transactions had been completed on January 1, 2011.

The unaudited pro forma combined condensed consolidated financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the companies actually been combined on the dates described above, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined entities. The unaudited pro forma combined condensed consolidated financial information also does not consider any potential impacts of current market conditions on revenues, expense efficiencies, asset dispositions and share repurchases, among other factors.

The value of our shares of common stock issued in connection with the Beach acquisition as well as the amount of cash paid to Beach shareholders will be based on the closing price of our common stock on the date the merger is completed. For purposes of the unaudited pro forma combined condensed consolidated financial information, the fair value of our common stock was assumed to be below $13.50 per share, which is the price level at which Beach shareholders will receive merger consideration consisting of warrants to purchase shares of our common stock (as opposed to receiving shares of our common stock) and cash. The actual value of our common stock at the completion of the merger, and the form of merger consideration paid to Beach shareholders, could be different.

The unaudited pro forma combined condensed consolidated financial information includes estimated pro forma adjustments to record assets and liabilities of Beach and/or Gateway at their respective fair values and represents our pro forma estimates based on available information. The pro forma adjustments included herein are subject to change depending on changes in interest rates and the fair value of the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the Beach merger and/or the Gateway acquisition are completed and after completion of thorough analyses to determine the fair value of Beach s and/or Gateway s tangible and identifiable intangible assets and liabilities as of the dates the Beach merger and the Gateway acquisition are completed. Increases or decreases in the estimated fair values of the net assets as compared with the information shown in the unaudited pro forma combined condensed consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact our consolidated statement of operations due to adjustments in yields and interest rates and/or amortization or accretion of the adjusted assets or liabilities. Any changes to Beach and/or Gateway shareholders equity, including results of operations from December 31, 2011 through the dates the Beach merger and the Gateway acquisition are completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

The 2011 historical financial results of Beach includes $0.3 million of preferred stock dividends and discount accretion. These amounts relate to Beach s participation in the United States Department of the Treasury s Capital Purchase Program. Since then, Beach has redeemed $1.5 million or 25% of the original $6.0 million invested by the United States Department of Treasury under the Capital Purchase Program. In total, as of the date hereof, Beach has redeemed a total of $4.5 million or 75% of the original $6.0 million invested by the United States Department of the Treasury under the Capital Purchase Program. Under the Beach merger agreement, subject to regulatory approval, Beach will redeem the balance of this investment immediately prior to

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the completion of the merger. On August 30, 2011, the Company issued 32,000 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A to the United States Department of the Treasury at a par value of $1,000 per share. This represented an infusion of $32 million in new Tier 1 capital from the SBLF. For the first 4.5 years, the dividend rate on the SBLF shares will vary between 1-5% based upon the Bank s ability to generate SBLF qualifying loans. On October 3, 2011, the Company made its first dividend payment on the SBLF shares at a dividend rate of 5%. After the first 4.5 years, the dividend rate on the SBLF shares will increase to 9%.

The Company anticipates that the Beach merger and Gateway acquisition will provide the combined company with financial benefits that include reduced operating expenses. The unaudited pro forma combined condensed consolidated financial information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not necessarily reflect the exact benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods.

The unaudited pro forma combined condensed consolidated financial information has been derived from and should be read in conjunction with the respective period s historical consolidated financial statements and the related notes of the Company, Beach and Gateway. The historical consolidated financial statements of the Company, Beach and Gateway have been filed with the SEC and incorporated by reference into this prospectus supplement. See Where You Can Find More Information.

The unaudited pro forma combined shareholders equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of our common stock or the actual or future results of operations of the Company for any period. Actual results may be materially different than the pro forma information presented.

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Unaudited Pro Forma Combined Condensed Consolidated Statement of Financial Condition

as of December 31, 2011

(In thousands of dollars except per share data)

		Beach Merger			Gateway Acquisition		
	First PacTrust Historical	Beach Historical	Pro Forma Merger Adjustments	Pro Forma Combined First PacTrust and Beach	Gateway Historical	Pro Forma Transaction Adjustments	Pro Forma Combined First PacTrust, Beach and Gateway
Assets:							
Cash and due from banks	$ 6,755	$ 4,904	$	$ 11,659	$ 2,159	$	$ 13,818
Interest-bearing deposits, fed funds sold and time deposits	37,720	35,259	(40,828)(1)	32,151	49,147	(13,500)(9)	67,798
Securities held to maturity					78	10(10)	88
Securities available for sale	101,616	5,825		107,441	80		107,521
Federal Home Loan Bank stock, at cost	6,972	1,143		8,115	697		8,812
Loans	788,389	260,575	(9,250)(2)	1,039,714	143,875	(4,197)(11)	1,179,392
Less: Allowance for loan losses	12,780	5,942	(5,942)(3)	12,780	2,908	(2,908)(12)	12,780
Net Loans	775,609	254,633	(3,308)	1,026,934	140,967	(1,289)	1,166,612
Accrued interest receivable	3,569	1,000		4,569	371		4,940
Other real estate owned, net	14,692			14,692	2,831		17,523
Premises and equipment, net	10,585	308		10,893	847		11,740
Bank owned life insurance investment	18,451			18,451			18,451
Prepaid FDIC assessment	2,405	548		2,953			2,953
Goodwill			3,659(4)	3,659			3,659
Other identifiable intangibles			7,069(5)	7,069		1,991(13)	9,060
Other assets	20,667	1,507		22,174	4,381	(3,350)(14)	23,205
Total assets	$ 999,041	$ 305,127	$ (33,408)	$ 1,270,760	$ 201,558	$ (16,138)	$ 1,456,180
Liabilities and Shareholders Equity:							
Deposits							
Noninterest-bearing demand	$ 20,039	$ 66,987	$	$ 87,026	$ 21,455	$	$ 108,481
Interest-bearing demand	68,578	18,303		86,881	1,223		88,104
Money market accounts	188,658	34,744		223,402	37,173		260,575
Savings accounts	39,176	115,596		154,772	6,524		161,296
Certificates of deposits	469,883	15,427	154(6)	485,464	106,868	1,069(15)	593,401
Total deposits	$ 786,334	$ 251,057	$ 154	$ 1,037,545	$ 173,243	$ 1,069	$ 1,211,857
Advances from Federal Home Loan Bank	20,000	13,500		33,500			33,500
Accrued expenses and other liabilities	8,212	5,493	1,515(7)	15,220	6,617		21,837
Total liabilities	$ 814,546	$ 270,050	$ 1,669	$ 1,086,265	$ 179,860	$ 1,069	$ 1,267,194
Shareholders equity	184,495	35,077	(35,077)(8)	184,495	21,698	(17,207)(16)	188,986
Total liabilities and shareholders equity	$ 999,041	$ 305,127	$ (33,408)	$ 1,270,760	$ 201,558	$ (16,138)	$ 1,456,180

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

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Unaudited Pro Forma Combined Condensed Consolidated Statement of Operations

For the twelve month period ended December 31, 2011

(In thousands of dollars except share and per share data)

	Beach Merger				Gateway Acquisition		
	First PacTrust Historical	Beach Historical	Pro Forma Merger Adjustments	Pro Forma Combined First PacTrust and Beach	Gateway Historical	Pro Forma Merger Adjustments	Pro Forma Combined First PacTrust, Beach and Gateway
Interest income							
Loans, including fees	$ 30,997	$ 14,953	$ 662[17]	$ 46,612	$ 6,565	$ 258[17]	$ 53,435
Securities and other	4,180	342		4,522	147	(1)[17]	4,668
Total interest income	35,177	15,295	662	51,134	6,712	257	58,103
Interest expense							
Deposits	4,989	2,366	(51)[17]	7,304	1,634	(356)[17]	8,582
Borrowings	1,048			1,048			1,048
Total interest expense	6,037	2,366	(51)	8,352	1,634	(356)	9,630
Net interest income before provision for loan losses	29,140	12,929	713	42,782	5,078	613	48,473
Provision (recovery) for loan losses	5,388	1,494	[18]	6,882	(820)	[18]	6,062
Net interest income after provision for loan losses	23,752	11,435	713	35,900	5,898	613	42,411
Non-interest income:							
Customer service charges, fee and other	1,473	563		2,036	164		2,200
Loan servicing, net		375		375	(51)		324
Net gain on loans		1,012		1,012	27,463		28,475
Net gain on sale of securities	2,888			2,888			2,888
Other	552			552	25		577
Total non-interest income	4,913	1,950	[19]	6,863	27,601	[19]	34,464
Non-interest expense							
Salaries and benefits	13,914	6,969		20,883	22,961		43,844
Occupancy and equipment expense	2,848	1,090		3,938	3,098		7,036
OREO expense	6,779	9		6,788	1,009		7,797
Amortization of core deposit and other intangibles			1,414[20]	1,414	525	398[20]	2,337
Merger and acquisition integration expenses			[21]			[21]	
Other	8,148	3,285		11,433	10,866		22,299
Total non-interest expense	31,689	11,353	1,414[22]	44,456	38,459	398[22]	83,313
Income (loss) before income taxes	(3,024)	2,032	(701)	(1,693)	(4,960)	215	(6,438)
Income tax expense/(benefit)	(296)		559[23]	263	3,296	(5,289)[23]	(1,730)