

PACIFIC PREMIER BANCORP INC
Form DEF 14A
April 28, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

[Pacific Premier Bancorp, Inc.](#)

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

1600 Sunflower Avenue
Costa Mesa, California 92626
714-431-4000

April 28, 2011

Fellow Stockholders:

On behalf of the Board of Directors and management of Pacific Premier Bancorp, Inc. (the "Company"), you are cordially invited to attend the Annual Meeting of Stockholders of the Company ("Annual Meeting"). The Annual Meeting will be held on Wednesday, May 25, 2011, at 9:00 a.m., Pacific Time, at the Company's corporate headquarters located at 1600 Sunflower Avenue, Costa Mesa, California 92626.

An important aspect of the Annual Meeting is the stockholder vote on corporate business items. The attached Notice of the Annual Meeting and Proxy Statement describe the formal business to be transacted at the Annual Meeting. Directors and officers of the Company will be present at the Annual Meeting to respond to any questions that you may have regarding the business to be transacted.

The Board of Directors of the Company has determined that the matters to be considered at the Annual Meeting are in the best interests of the Company and its stockholders. For the reasons set forth in the Proxy Statement, the Board of Directors unanimously recommends that you vote "FOR" the director nominees specified under Item 1 and "FOR" the ratification of the appointment of Vavrinek, Trine, Day & Co., LLP as the independent auditors of the Company for the fiscal year ended December 31, 2011 under Item 2.

We encourage you to attend the Annual Meeting in person if it is convenient for you to do so. If you are unable to attend, it is important that you vote via Internet, or by telephone, or sign, date and return the enclosed proxy card in the enclosed postage-paid envelope. Your cooperation is appreciated since a majority of the common stock must be represented, either in person or by proxy, to constitute a quorum for the transaction of business.

On behalf of the Board of Directors and all of the employees of Pacific Premier Bancorp, Inc., we thank you for your continued support.

Best Regards,

/s/ Steven R. Gardner

Steven R. Gardner
President and Chief Executive Officer

PACIFIC PREMIER BANCORP, INC.
1600 Sunflower Avenue
Costa Mesa, California 92626
714-431-4000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 25, 2011

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders (“Annual Meeting”) of Pacific Premier Bancorp, Inc. (the “Company”) will be held on Wednesday, May 25, 2011 at 9:00 a.m., Pacific Time, at the Company’s corporate headquarters located at 1600 Sunflower Avenue, Costa Mesa, California, to consider and act upon the following matters:

1. To elect three (3) directors, each for a three-year term, or until their successors are elected and qualified;
2. To ratify the appointment of Vavrinek, Trine, Day & Co., LLP as the Company’s independent auditor for the fiscal year ended December 31, 2011; and
3. To transact such other matters as may properly come before the meeting and at any adjournments thereof, including whether or not to adjourn the meeting. Management is not aware of any other such business.

The Board of Directors has fixed April 1, 2011 as the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting and any adjournment thereof. Only those stockholders of record as of the close of business on that date will be entitled to vote at the Annual Meeting or at any such adjournment.

By Order of the Board of Directors,

/s/ Kent J. Smith
Kent J. Smith
Corporate Secretary/SVP/CFO
Costa Mesa, California
April 28, 2011

IMPORTANT: Whether or not you expect to attend the Annual Meeting, we urge you to vote your proxy at your earliest convenience via the Internet, by telephone or by mail by using the enclosed postage-paid reply envelope. This will ensure the presence of a quorum at the Annual Meeting and will save Pacific Premier Bancorp, Inc. the expense of additional solicitation. Submitting your proxy will not prevent you from voting your shares in person at the Annual

Meeting if you desire to do so. Your proxy is revocable at your option in the manner described in the Proxy Statement.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL
MEETING OF STOCKHOLDERS TO BE HELD ON MAY 25, 2011.

The proxy materials for this Annual Meeting of Stockholders are available over the Internet at www.proxyvote.com.

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PACIFIC PREMIER BANCORP, INC.
1600 Sunflower Avenue
Costa Mesa, California 92626

PROXY STATEMENT
GENERAL INFORMATION

For 2011 Annual Meeting of Stockholders
To Be Held on Wednesday, May 25, 2011

Our Board of Directors is soliciting proxies to be voted at our 2011 Annual Meeting of Stockholders (“Annual Meeting”) on May 25, 2011, at 9:00 a.m., Pacific Time, and at any adjournments or postponements thereof, for the purposes set forth in the attached Notice of Annual Meeting of Stockholders (the “Notice”). This Proxy Statement and the proxies solicited hereby are being first sent or delivered to stockholders of the Company on or about April 28, 2011.

As used in this Proxy Statement, the terms “Company,” “we,” “us” and “our” refer to Pacific Premier Bancorp, Inc., the term “Bank” refers to Pacific Premier Bank and the terms “Board of Directors” and “the Board” refers to the Board of Directors of the Company.

Questions and Answers about these Proxy Materials and the Annual Meeting

Question: Why am I receiving these materials?

Answer: Our Board of Directors is providing these proxy materials to you in connection with the Annual Meeting, to be held on May 25, 2011. As a stockholder of record as of April 1, 2011, you are invited to attend our Annual Meeting, and are entitled to and requested to vote on the items of business described in this Proxy Statement.

Question: What information is contained in this Proxy Statement?

Answer: This information relates to the proposals to be voted on at our Annual Meeting, the voting process, compensation of our directors and most highly paid executives, and certain other required information.

Question: Can I access the Company’s proxy materials and annual report electronically?

Answer: Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 25, 2011. The proxy statement and annual report are available at www.proxyvote.com. To view this material, you must have available the 12-digit control number located on the proxy card or, if shares are held in the name of a broker, bank or other nominee, the voting instruction form.

Question: Who is soliciting my vote pursuant to this Proxy Statement?

Answer: Our Board of Directors is soliciting your vote at our Annual Meeting.

Question: Who is entitled to vote?

Answer: Only stockholders of record at the close of business on April 1, 2011 (the “Record Date”) will be entitled to vote at our Annual Meeting.

Question: How many shares are eligible to be voted?

Answer: As of the Record Date, we had 10,084,226 shares of common stock outstanding. Each outstanding share of our common stock will entitle its holder to one vote on each of the three (3) directors to be elected and one vote on

each other matter to be voted on at our Annual Meeting.

Question: What am I voting on?

Answer: You are voting on the following matters:

- The election of three (3) directors. Our nominees are Kenneth A. Boudreau, Michael L. McKennon, and Ronald G. Skipper.
- Ratification of the appointment of Vavrinek, Trine, Day & Co., LLP (“VTD”) as the Company’s independent auditor for 2011.

Question: How does our Board of Directors recommend that I vote?

Answer: Our Board recommends that you vote “FOR” each director nominee and “FOR” the ratification of the appointment of VTD as independent auditor.

Question: How many votes are required to hold the Annual Meeting and what are the voting procedures?

Answer: Quorum Requirement: As of the Record Date, 10,084,226 shares of the Company’s common stock were issued and outstanding. A majority of the outstanding shares entitled to vote at the Annual Meeting, present or represented by proxy, constitutes a quorum for the purpose of adopting proposals at the Annual Meeting. If you submit a properly executed proxy, then you will be considered part of the quorum.

Required Votes: Each outstanding share of our common stock is entitled to one vote on each proposal at the Annual Meeting, subject to the limitation in our certificate of incorporation, as amended, that provides that record holders of our common stock who beneficially own in excess of 10% of our outstanding shares of common stock are not entitled to vote in respect to the shares held in excess of this voting limitation (the “Voting Limit”).

- Election of Directors: If there is a quorum at our Annual Meeting, the three (3) nominees who receive the greatest number of votes cast for directors will be elected. There is no cumulative voting for our directors. If you indicate “withhold authority to vote” for a particular nominee on your proxy card, your vote will not count either “for” or “against” the nominee. Abstentions are not counted in the election of directors and do not affect the outcome.
- Ratification of Independent Auditors: If there is a quorum, the affirmative vote of a majority of the shares present and entitled to vote at the meeting is required for ratification of the appointment of VTD as our independent auditor for 2011.

If a broker indicates on its proxy that it does not have authority to vote certain shares held in “street name,” the shares not voted are referred to as “broker non-votes.” Broker non-votes occur when brokers do not have discretionary voting authority to vote certain shares held in “street name” on particular proposals under the rules of the New York Stock Exchange, and the “beneficial owner” of those shares has not instructed the broker how to vote on those proposals. If you are a beneficial owner, your broker, bank or other nominee is permitted to vote your shares for or against “routine” matters such as the ratification of the appointment of our independent registered public accounting firm, even if the holder does not receive voting instructions from you. Brokers are not permitted to exercise discretionary voting authority to vote your shares for or against “non-routine” matters such as the election of directors. Shares represented by proxies that are marked vote “withheld” with respect to the election of any nominee will not be considered in determining whether such nominee has received the affirmative vote of a plurality of the shares. Shares represented by proxies that are marked “abstain” with respect to any other matter to be voted upon at the annual meeting will have the effect of a negative vote.

Question: How may I cast my vote?

Answer: If you are the stockholder of record, you may vote by one of the following four methods (as instructed on the enclosed proxy card):

- in person at the Annual Meeting,
- via the Internet,
- by telephone, or
- by mail.

If you would like to vote in person at the Annual Meeting and would like to obtain directions to the Annual Meeting please contact Investor Relations, Pacific Premier Bancorp, Inc., 1600 Sunflower Avenue, Costa Mesa, California 92626 at (714) 431-4000.

If you elect to vote by mail and you received a printed proxy card, you may mark, sign, date and mail the proxy card you received from us in the return envelope. If you did not receive a printed proxy card and wish to vote by mail, you may do so by requesting a paper copy of the proxy materials (as described below), which will include a proxy card.

Whichever method of voting you use, the proxies identified on the proxy card will vote the shares of which you are the stockholder of record in accordance with your instructions. If you submit a proxy card without giving specific voting instructions, the proxies will vote the shares as recommended by our Board of Directors.

If you own your shares in “street name,” that is, through a brokerage account or in another nominee form, you must provide instructions to the broker or nominee as to how your shares should be voted. Your broker or nominee will usually provide you with the appropriate instruction forms at the time you receive this Proxy Statement and our Annual Report. If you own your shares in this manner, you cannot vote in person at the Annual Meeting unless you receive a proxy to do so from the broker or the nominee, and you bring the proxy to our Annual Meeting.

Question: How may I cast my vote over the Internet or by telephone?

Answer: Voting over the Internet: If you are a stockholder of record, you may use the Internet to transmit your vote up until 11:59 P.M., Eastern Time, May 24, 2011. Visit www.voteproxy.com and have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

Voting by Telephone: If you are a stockholder of record, you may call 1-800-776-9437 and use any touch-tone telephone to transmit your vote up until 11:59 P.M., Eastern Time, May 24, 2011. Have your proxy card in hand when you call and then follow the instructions.

If you hold your shares in “street name,” that is through a broker, bank or other nominee, that institution will instruct you as to how your shares may be voted by proxy, including whether telephone or Internet voting options are available.

Question: How may a stockholder nominate someone at the Annual Meeting to be a director or bring any other business before the Annual Meeting?

Answer: The Company’s bylaws require advance notice to the Company if a stockholder intends to attend an annual meeting of stockholders in person and to nominate someone for election as a director or to bring other business before the meeting. Such a notice may be made only by a stockholder of record within the time period established in the bylaws and described in each year’s Proxy Statement.

Question: How may I revoke or change my vote?

Answer: If you are the record owner of your shares, and you completed and submitted the proxy card you may revoke your proxy at any time before it is voted at the Annual Meeting by:

- submitting a new proxy card,
- delivering written notice to our Secretary on or before May 24, 2011, stating that you are revoking your proxy, or
 - attending the Annual Meeting and voting your shares in person.

If you are a record owner of your shares and you submitted your proxy by telephone or via the Internet, you may change your vote or revoke your proxy with a later telephone or Internet proxy, as the case may be.

Please note that attendance at the Annual Meeting will not, in itself, constitute revocation of your proxy.

Question: Who is paying for the costs of this proxy solicitation?

Answer: Our Company will bear the cost of preparing, printing and mailing the materials in connection with this solicitation of proxies. In addition to mailing these materials, officers and regular employees of our Company may, without being additionally compensated, solicit proxies personally and by mail, telephone, facsimile or electronic communication. We have retained American Stock Transfer & Trust Co. to assist in the solicitation at a cost of approximately \$3,500, plus payment of reasonable out-of-pocket expenses incurred by American Stock Transfer & Trust Co.

Question: Who will count the votes?

Answer: American Stock Transfer & Trust Co., our inspector of elections for the Annual Meeting, will receive and tabulate the ballots and voting instruction forms.

Question: What happens if the Annual Meeting is postponed or adjourned?

Answer: Your proxy will still be effective and may be voted at the rescheduled meeting. You will still be able to change or revoke your proxy until it is voted.

Question: How can I obtain the Company's Corporate Governance information?

Answer: Our Company's Corporate Governance information is available on our website at www.ppbi.com under the Investor Relations section. Our stockholders may also obtain written copies at no cost by writing to us at 1600 Sunflower Avenue, Costa Mesa, California 92626, Attention: Investor Relations Department, or by calling (714) 431-4000.

Question: How do I request electronic or printed copies of this and future proxy materials?

Answer: You may request and consent to delivery of electronic or printed copies of future proxy statements, annual reports and other stockholder communications by (i) visiting www.proxyvote.com, (ii) calling 1-800-579-1639, or (iii) sending an email to sendmaterial@proxyvote.com. You must have available the 12-digit control number described above.

INFORMATION ABOUT THE MEETING

Our Annual Meeting will be held at 9:00 a.m., Pacific Time, on Wednesday, May 25, 2011, at Pacific Premier Bancorp, Inc.'s corporate headquarters located at 1600 Sunflower Avenue, Costa Mesa, California 92626.

ITEM 1. ELECTION OF DIRECTORS

Board Nominees

The Company's Board of Directors has nominated each of the following persons for re-election as a director. Each nominee is currently a director of the Company and each has indicated that he is willing and able to continue to serve as a director. We have provided biographical and other information on each of the nominees beginning on page 4 of this Proxy Statement.

Kenneth A. Boudreau

Michael L. McKennon

Ronald G. Skipper

If any nominee becomes unable or unwilling to serve, which is not anticipated, the accompanying proxy may be voted for the election of such other person as shall be designated by the Nominating and Corporate Governance ("Nominating Committee") of our Board of Directors. Proxies granted may not be voted for a greater number of nominees than the three (3) named above. Unless instructions to the contrary are specified in a proxy properly voted and returned through available channels, the proxies will be voted FOR each of the nominees listed above.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS
VOTE "FOR" EACH OF THE NOMINEES.

Nominated Directors

Below is information regarding each of our nominated directors, each of whom has been nominated for re-election at the Annual Meeting.

Kenneth A. Boudreau, 61, has served as a member of the Company's Board since 2005. Mr. Boudreau is Vice President & General Manager of Coast Composites, Inc., a manufacturing concern in Irvine, California. He joined Coast Composites in 2008 after a 12-year career with M. C. Gill Corporation, a manufacturing concern in El Monte, California, where he last served as President and Chief Executive Officer. Mr. Boudreau joined M. C. Gill Corporation in 1996 as its Chief Financial Officer, assumed progressive responsibilities over time, and was named President and Chief Executive Officer in 2002. Mr. Boudreau had previously been employed by The Quikset Organization in Irvine, California for 15 years where he was initially hired as their controller and advanced to lead their subsidiaries with \$40 million in revenue. Mr. Boudreau is a CPA in California, and was employed by Deloitte & Touche before joining The Quikset Organization. He obtained his B.A. degree in Business Administration from California State University, Fullerton.

Michael L. McKennon, 50, has served as a member of the Company's Board since 2004, and currently chairs our Audit Committee. Mr. McKennon is a partner with the Newport Beach public accounting firm of dbbmckennon, a registered firm of the Public Company Accounting Oversight Board ("PCAOB"). Prior thereto, Mr. McKennon was a founding partner of the Irvine, California accounting firm of McKennon Wilson & Morgan LLP, a registered firm of the PCAOB. Mr. McKennon, a CPA in the state of California, has been responsible for audit and accounting practices since 1998 in these firms. Mr. McKennon was previously employed by the accounting firm of PricewaterhouseCoopers LLP and Arthur Andersen & Co. Mr. McKennon has 26 years experience in private and public accounting, auditing and consulting in Southern California. He obtained his B.A. degree in Business Administration from California State University, Fullerton.

Ronald G. Skipper, 70, has been Chairman of the Board of the Company since 1997 and a member of the Company's Board since 1983. Mr. Skipper is a self-employed attorney and has been practicing law for 45 years. Mr. Skipper also serves on the Board of Directors of Stater Bros. Markets Corporation, a supermarket company. He is general counsel

to the National Orange Show Board of Directors of San Bernardino County, California and has served on numerous boards of directors, including The University of California, Hastings College of Law 1066 Foundation, California State University, San Bernardino Foundation and St. Bernadine's Hospital Foundation.

Continuing Directors

John D. Goddard, 72, has served as a director for the Company since 1988. Mr. Goddard has been a Certified Public Accountant for the past 43 years. Mr. Goddard was initially employed by W.C. Brassfield, CPA from 1962 to 1965. He formed the partnership, Brassfield and Goddard, CPAs in 1965 and continued practicing there until September 1976. The firm incorporated into Goddard Accountancy Corporation, CPAs where Mr. Goddard practiced and served as President from September 1976 until December 2003. The corporation merged with the firm of Soren McAdam Christenson, LLP in January 2004. Mr. Goddard retired on January 1, 2008 from full-time practice as a CPA and now works part-time on a consulting basis.

David L. Hardin, 57, began serving as a director for the Company in April 2007. In March 2008, Mr. Hardin resigned as a director to pursue other professional activities. In August 2008, Mr. Hardin was again appointed as a director. Mr. Hardin has been the President and Chief Executive Officer of HRE Mortgage, Inc., the parent company of Covenant Mortgage which was founded in 2004 and Chief Executive Officer of Covenant Debt Solutions, Inc. which was founded in 2008 and the Chief Executive Officer of Covenant Insurance Services which was founded in 2010. Prior to that, Mr. Hardin was Executive Vice President/Chief Banking Officer of Hawthorne Savings from 1993 to 2003. Mr. Hardin has served in management positions in retail banking, lending production and operations as well as sitting on various management loan committees, including serving as an executive at World Savings, Columbia Savings, Valley Federal Savings and Downey Savings. Mr. Hardin holds a B.A. degree from California State University, Fullerton.

Jeff C. Jones, 56, has served as a member of the Company's Board since July 2006. Mr. Jones is the current Managing Partner and current Executive Committee member of, and partner in, the regional accounting firm Moore Stephens Wurth Frazer and Torbet, LLP, which he has been with since 1977. Mr. Jones has over 30 years of experience in servicing small and medium sized business clients primarily within the real estate, construction, and agricultural industries. Mr. Jones is a past president of Inland Exchange, Inc, an accommodator corporation, and has served on the Board of Directors of Moore Stephens North America, Inc. Mr. Jones holds a B.S. degree in Business Administration from Lewis and Clark College in Portland, Oregon, and a Masters of Business Taxation from Golden Gate University. Mr. Jones is a CPA in California, is licensed as a life insurance agent and holds a Series 7 securities license.

Steven R. Gardner, 50, has been the President and Chief Executive Officer of the Company and the Bank since the third quarter of 2000, and has served as a director of the Company since 2000. Prior to joining us in February 2000 as Chief Operating Officer, Mr. Gardner was Senior Vice President at Hawthorne Financial since 1997. Mr. Gardner has served in management positions in credit administration, portfolio management, lending production and operations as well as risk management for the past 25 years. Mr. Gardner holds a B.A. degree from California State University, Fullerton and attended graduate school at California State University, Long Beach.

Named Executives

Kent Smith, 49, Executive Vice President/Chief Financial Officer and Treasurer, was hired in September 2009. Mr. Smith serves as Chairman of our Asset Liability Committee. Prior to joining the Bank, Mr. Smith worked for sixteen years for Downey Savings and Loan Association as a Senior Vice President, Controller, Assistant Controller, Financial Reporting Manager and Senior Technical Auditor. Mr. Smith served as Vice President, Loan Accounting Manager for FarWest Savings and Loan and as a Senior Accountant for Deloitte and Touche. Mr. Smith obtained his B.A. degree in Accounting from Brigham Young University.

Edward Wilcox, 44, Executive Vice President/Chief Banking Officer – was hired in August 2003 as the Bank’s Senior Vice President and Chief Credit Officer. In September 2004, Mr. Wilcox was promoted to Executive Vice President and was responsible for overseeing loan and deposit production. In the fourth quarter of 2005, Mr. Wilcox was promoted to Chief Banking Officer and assumed responsibility of the branch network. Prior to joining us, Mr. Wilcox served as Loan Production Manager at Hawthorne Savings for two years and as the Secondary Marketing Manager at First Fidelity Investment & Loan for five years. Mr. Wilcox has an additional nine years of experience in real estate banking including positions as Asset Manager, REO Manager and Real Estate Analyst at various financial institutions. Mr. Wilcox obtained his B.A. degree in Finance from New Mexico State University.

Mike Karr, 42, Executive Vice President/Chief Credit Officer – was hired in April 2006. Mr. Karr oversees the Bank’s credit functions and has responsibility for all lending and portfolio operations. He is the Chairman of our Credit Committee and our Credit and Investment Review Committee. Prior to joining the Bank, Mr. Karr worked for Fremont Investment & Loan for 11 years as Vice President in charge of their Commercial Real Estate Asset Management department. Mr. Karr obtained his B.A. degree in Economics and Government, Cum laude, from Claremont McKenna College and his Masters in Business Administration from the University of California, Irvine.

Corporate Governance

We value strong corporate governance principles and adhere to the highest ethical standards. These principles and standards, along with our core values of fairness and caring, assist us in achieving our corporate mission. To foster strong corporate governance and business ethics, our Board of Directors continues to take many steps to strengthen and enhance our corporate governance practices and principles. To that end, we have adopted Corporate Governance Guidelines to achieve the following goals:

- to promote the effective functioning of the Board of Directors;
- to ensure that the Company conducts all of its business in accordance with the highest ethical and legal standards;
and
- to enhance long-term stockholder value.

The full text of our Corporate Governance Guidelines is available on our website at www.ppbi.com under the Investor Relations section. Our stockholders may also obtain a written copy of the guidelines at no cost by writing to us at 1600 Sunflower Avenue, Costa Mesa, California 92626, Attention: Investor Relations Department, or by calling (714) 431-4000.

The Nominating and Corporate Governance Committee (the “Nominating Committee”) of our Board of Directors administers our Corporate Governance Guidelines, reviews performance under the guidelines and the content of the guidelines annually and, when appropriate, and recommends updates and revisions to our Board of Directors.

Director Qualifications, Diversity and Nomination Process

Our Nominating Committee is responsible for reviewing with the Board of Directors annually the appropriate skills and characteristics required of our Board members, and for selecting, evaluating and recommending nominees for election by our stockholders. The Nominating Committee has authority to retain a third-party search firm to identify or evaluate, or assist in identifying and evaluating, potential nominees if it so desires, although it has not done so to date.

In evaluating both the current directors and the nominees for director, the Nominating Committee considers such other relevant factors as it deems appropriate, including the current composition of the Board, the need for Audit Committee expertise, and the director qualification guidelines set forth in the Company’s Corporate Governance Policy. Under the Company’s Governance Policy, the factors considered by the Nominating Committee and the Board in its review of

potential nominees and directors include: high integrity and independence, substantial accomplishments, and prior or current association with institutions noted for their excellence; demonstrated leadership ability, with broad experience, diverse perspectives, and the ability to exercise sound business judgment; the background and experience of candidates, particularly in areas important to the operation of the Company such as business, education, finance, government, law or banking; the ability to make a significant and immediate contribution to the Board's discussions and decision-making; special skills, expertise or background that add to and complement the range of skills, expertise and background of the existing directors; career success that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make; and the availability and energy necessary to perform his or her duties as a director. In addition, the Nominating Committee and the Board believes the composition of the Board should reflect sensitivity to the need for diversity as to gender, ethnic background and experience. Application of these factors involves the exercise of judgment by the Board and cannot be measured in any mathematical or routine way.

In connection with the evaluation of nominees, the Nominating Committee determines whether to interview the prospective nominee, and if warranted, one or more members of the Nominating Committee, in concert with the Company's Chief Executive Officer, interviews prospective nominees. After completing its evaluation, the Nominating Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Nominating Committee.

For each of the nominees to the Board and the current directors, the biographies shown above highlight the experiences and qualifications that were among the most important to the Nominating Committee in concluding that the nominee or the director should serve or continue to serve as a director of the Company. The table below supplements the biographical information provided above. The vertical axis displays the primary factors reviewed by the Nominating Committee in evaluating a board candidate.

	Boudreau	Gardner	Goddard	Hardin	Jones	McKennon	Skipper
Experience, Qualifications, Skill or Attribute							
Professional standing in chosen field	X	X	X	X	X	X	X
Expertise in financial services or related industry		X	X	X	X	X	X
Audit Committee Financial Expert (actual or potential)	X	X	X		X	X	
Civic and community involvement	X	X	X	X		X	X
Other public company experience	X	X		X		X	X
Leadership and team building skills	X	X	X	X	X	X	X
Specific skills/knowledge:							
- finance	X	X	X	X	X	X	X
- marketing		X		X			
- public affairs							X
- human resources	X	X		X			
- governance	X	X	X	X		X	

Our stockholders may propose director candidates for consideration by the Company's Nominating Committee by submitting the individual's name and qualifications to our Secretary at 1600 Sunflower Avenue, Costa Mesa, CA 92626. Our Nominating Committee will consider all director candidates properly submitted by our stockholders in accordance with our bylaws and Corporate Governance Guidelines. Stockholders who wish to nominate candidates for election to our Board at our Annual Meeting of Stockholders must follow the procedures outlined in "Stockholder Proposals for the 2012 Annual Meeting" set forth below.

Board of Directors Independence

The Boards of Directors of the Company and the Bank are made up of seven (7) directors each. The directors are divided into three classes. Directors are elected for staggered terms of three years and serve until their successors are elected and qualified. Our Corporate Governance Guidelines require that our Board consists predominantly of non-management directors. This means directors who are not currently, and have not been, employed by us during the most recent three years. Currently, our Chief Executive Officer is our only director who is also a member of management.

Our Corporate Governance Guidelines require that a majority of the Board of Directors consist of independent directors as defined under the NASDAQ Stock Market (the "NASDAQ") rules. No director will be "independent" unless the Board affirmatively determines that the director meets the categorical standards set forth in the NASDAQ rules and otherwise has no relationship with the Company that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company).

Our Nominating Committee is responsible for reviewing with the Board annually the appropriate criteria and standards for determining director independence consistent with the NASDAQ rules. The Company's Board has determined that Kenneth A. Boudreau, John D. Goddard, Jeff C. Jones, Michael L. McKennon, David L. Hardin, and Ronald G. Skipper are independent and have no material relationships with the Company.

Responsibilities of the Board of Directors

In addition to each director's basic duties of care and loyalty, the Company's Board of Directors has separate and specific obligations enumerated in our Corporate Governance Guidelines. Among other things, these obligations require directors to effectively monitor management's capabilities, compensation, leadership and performance, without undermining management's ability to successfully operate the business. In addition, our Board and its committees have the authority to retain and establish the fees of outside legal, accounting or other advisors, as necessary to carry out their responsibilities.

Our directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. As a result, our directors must disclose all business relationships with the Company and with any other person doing business with us to the entire Board and to recuse themselves from discussions and decisions affecting those relationships. We periodically solicit information from directors in order to monitor potential conflicts of interest and to confirm director independence.

Board of Directors Leadership Structure

Our certificate of incorporation and bylaws provide for a Board of Directors that is divided into three classes. The classes have three-year terms, and the term of one class expires each year in rotation at that year's annual meeting. The size of the Board shall be designated by the Board, but shall be seven in the absence of such designation. Vacancies on the Board may be filled by a majority of the remaining directors. A director elected to fill a vacancy, or a new directorship created by an increase in the size of the Board, serves for the remainder of the full term of the class of

directors in which the vacancy or newly created directorship occurred.

Our Board of Directors has no fixed policy with respect to the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer. Our Board retains the discretion to make this determination on a case-by-case basis from time to time as it deems to be in the best interests of the Company and our stockholders at any given time. The Board currently believes that separating the positions of CEO and Chairman is the best structure to fit the Company's needs. This structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. The Board also believes that this structure is preferred by a significant number of the Company's stockholders.

Board of Directors Risk Oversight

The understanding, identification and management of risk are essential elements for the successful management of our Company. The entire Board of Directors is responsible for oversight of the Company's risk management processes. The Board delegates many of these functions to the Audit Committee. Under its charter, the Audit Committee is responsible for monitoring business risk practices and legal and ethical programs. In this way, The Audit Committee helps the Board fulfill its risk oversight responsibilities relating to the Company's financial statements, financial reporting process and regulatory requirements. The Audit Committee also oversees our corporate compliance programs, as well as the internal audit function. In addition to the Audit Committee's work in overseeing risk management, our full Board regularly engages in discussions of the most significant risks that the Company is facing and how these risks are being managed, and the board receives reports on risk management from senior officers of the Company and from the chair of the Audit Committee. The board receives periodic assessments from the Company's ongoing enterprise risk management process that are designed to identify potential events that may affect the achievement of the Company's objectives. In addition, our Board and its standing committees periodically request supplemental information or reports as they deem appropriate.

Communication With Directors

Individuals may submit communications to any individual director, including our presiding Chairman, our Board of Directors as a group, or a specified Board committee or group of directors, including our non-management directors, by sending the communications in writing to the following address: Pacific Premier Bancorp, Inc., 1600 Sunflower Avenue, Costa Mesa, California 92626. All correspondence should indicate to whom it is addressed. The Company's Corporate Secretary will sort the Board correspondence to classify it based on the following categories into which it falls: stockholder correspondence, commercial correspondence, regulator correspondence or customer correspondence. Each classification of correspondence will be handled in accordance with a policy unanimously approved by the Board.

Board Meetings and Executive Sessions

Our Board of Directors currently holds twelve full Board meetings each year. All of our directors are encouraged to attend each meeting in person. Our management provides all directors with an agenda and appropriate written materials sufficiently in advance of the meetings to permit meaningful review. Any director may submit topics or request changes to the preliminary agenda as he or she deems appropriate in order to ensure that the interests and needs of non-management directors are appropriately addressed. To ensure active and effective participation, all of our directors are expected to arrive at each Board and committee meeting having reviewed and analyzed the materials for the meeting. During 2010, our Board of Directors met fourteen times, and all of our directors attended at least 94% of the aggregate of the total number of meetings of the Board of Directors held during his tenure in office during the last fiscal year and the total number of all meetings held by all committees of the Board of Directors on which he served during such year.

It is the Company's policy that the independent directors of the Company meet in executive sessions without management at least twice on an annual basis in conjunction with regularly scheduled board meetings. Executive sessions at which the independent directors meet with the Chief Executive Officer also may be scheduled. During 2010, the independent directors met twice in executive session without the presence of management.

Director Attendance at Company Annual Meetings

All of our directors are encouraged to attend every Company annual meeting of stockholders. All of our directors attended our 2010 annual meeting of stockholders.

Director Contact with Management

All of our directors are invited to contact our Chief Executive Officer and or any of our executive or senior level managers at any time to discuss any aspect of our business. In addition, there generally are frequent opportunities for directors to meet with other members of our management team.

Corporate Code of Business Conduct and Ethics

We have implemented a Code of Business Conduct and Ethics applicable to our directors, Chief Executive Officer, Chief Financial Officer, other senior management, and to all of our officers and employees. Our Code of Business Conduct and Ethics provides fundamental ethical principles to which these individuals are expected to adhere. Our Code of Business Conduct and Ethics operates as a tool to help our directors, officers, and employees understand and adhere to the high ethical standards required for employment by, or association with, the Company and the Bank. Our Code of Business Conduct and Ethics is available on our website at www.ppbi.com under the Investor Relations section. Our stockholders may also obtain written copies at no cost by writing to us at 1600 Sunflower Avenue, Costa Mesa, California 92626, Attention: Investor Relations Department, or by calling (714) 431-4000. Any future changes or amendments to our Code of Business Conduct and Ethics and any waiver that applies to one of our senior financial officers or a member of our Board of Directors will be posted to our website.

Committees of the Board of Directors

	Nominating & Corporate Governance		
	Audit	Compensation	Governance
	Kenneth A. Boudreau	Kenneth A. Boudreau	Kenneth A. Boudreau
	Jeff C. Jones	John D. Goddard *	John D. Goddard
	Michael L. McKennon *	Ronald G. Skipper	Ronald G. Skipper *
	5 meetings held in 2010	1 meeting held in 2010	1 meeting held in 2010

* Chairperson

A description of the general functions of each of the Company's Board committees and the composition of each committee is set forth below.

Audit Committee. The Audit Committee is responsible for selecting and communicating with the Company's independent auditors, reporting to the Board on the general financial condition of the Company and the results of the annual audit, and ensuring that the Company's activities are being conducted in accordance with applicable laws and regulations. The internal auditor of the Bank participates in the Audit Committee meetings. A copy of the Audit Committee charter can be found on the Company's website at www.ppbi.com under the Investor Relations section.

No member of the Audit Committee receives any consulting, advisory or other compensation or fee from the Company other than fees for service as member of the Board of Directors, committee member or officer of the Board. Each of the Audit Committee members is considered "independent" under the NASDAQ listing standards and rules of the U.S. Securities and Exchange Commission (the "SEC"). The Board of Directors has determined that Mr. McKennon satisfies the requirements established by the SEC for qualification as an "audit committee financial expert".

Compensation Committee. The Compensation Committee reviews the amount and composition of director compensation from time to time and makes recommendations to the Board when it concludes changes are needed. In recommending director compensation, the Compensation Committee considers the potential negative effect on director independence if director compensation and perquisites exceed customary levels. The Compensation Committee also (i) has oversight responsibility for the Bank's compensation policies, benefits and practices, (ii) reviews the Chief Executive Officer's recommendations concerning individual incentive awards of officers directly reporting to him, (iii) approves all stock option and restricted stock grants, (iv) has oversight responsibility for management planning and succession, and (v) determines the annual salary, the annual bonus, stock options, and restricted stock grants of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Our Compensation Committee does not have a charter.

Nominating and Corporate Governance Committee. The Nominating Committee has oversight responsibility for nominating candidates as directors and to determine satisfaction of independence requirements. The Nominating Committee has adopted a written charter. A copy of the charter and the Company's Corporate Governance Guidelines can both be found on the Company's website at www.ppbi.com under the Investor Relations section.

The primary responsibilities of our Nominating Committee include:

- assisting the Board in identifying and screening qualified candidates to serve as directors, including considering stockholder nominees;
- recommending to the Board candidates for election or reelection to the Board or to fill vacancies on the Board;
 - aiding in attracting qualified candidates to serve on the Board;
 - making recommendations to the Board concerning corporate governance principles;
- periodically assessing the effectiveness of the Board in meeting its responsibilities representing the long-term interests of the stockholders; and
- following the end of each fiscal year, providing the Board with an assessment of the Board's performance and the performance of the Board committees.

Compensation Committee Interlocks and Insider Participation

For 2010, the Company's Compensation Committee was comprised of Messrs. Boudreau, Goddard, and Skipper, each of whom was an independent director. None of these individuals is or has been an officer or employee of the Company during the last fiscal year or as of the date of this Proxy Statement, or is serving or has served as a member of the compensation committee of another entity that has an executive officer serving on the Company's Compensation Committee. No executive officer of the Company served as a director of another entity that had an executive officer serving on the Company's Compensation Committee. Finally, no executive officer of the Company served as a member of the compensation committee of another entity that had an executive officer serving as a director of the Company.

Committee Independence and Additional Information

The Company's Audit, Nominating and Compensation Committees are currently composed entirely of "independent" directors, as defined by our Corporate Governance Guidelines and applicable NASDAQ and SEC rules and regulations. Our Compensation Committee does not have a written charter; however, our Audit and Nominating Committees each have a written charter, which may be obtained on our website at www.ppbi.com under the Investor Relations section. Company stockholders may also obtain written copies of the charters at no cost by writing to us at 1600 Sunflower Avenue, Costa Mesa, California 92626, Attention: Investor Relations Department, or by calling (714) 431-4000.

The Chair of each committee is responsible for establishing committee agendas. The agenda, meeting materials and the minutes of each committee meeting are furnished in advance to all of our directors, and each committee chair reports on his or her committee's activities to the full Board.

Principal Holders of Common Stock

The following table sets forth information as to those persons believed by management to be beneficial owners of more than 5% of the Company's outstanding shares of Common Stock on the Record Date or as represented by the owner or as disclosed in certain reports regarding such ownership filed by such persons with the Company and with the SEC, in accordance with Sections 13(d) and 13(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Other than those persons listed below, the Company is not aware of any person, as such term is defined in the Exchange Act, that beneficially owns more than 5% of the Company's common stock as of the Record Date.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Common Stock	Wellington Management Co. LLP 75 State Street Boston, MA 02109-1809	993,260 (2)	9.85 %
Common Stock	Sandler O'Neill Asset Management LLC 780 Third Avenue 5th floor New York, NY 10017	988,900 (3)	9.81 %
Common Stock	Fidelity Management & Research	948,105 (4)	9.40 %

245 Summer Street Boston, MA 02210					
Common Stock	Austin W. Marxe 527 Madison Avenue Suite 2600 New York, NY 10022	937,716	(5)	9.30	%
Common Stock	David M. Greenhouse 527 Madison Avenue Suite 2600 New York, NY 10022	937,716	(5)	9.30	%
Common Stock	Wells Fargo & Company 525 Market Street, 10th Floor San Francisco, CA 94105	799,699	(6)	7.93	%
Common Stock	Bay Pond Partners, L.P. c/o Wellington Hedge Management, LLC. 75 State Street Boston, MA 02109	589,340	(7)	5.84	%

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- (1) As of April 28, 2011, there were 10,084,226 shares of Company common stock outstanding on which “Percent of Class” in the above table is based.
- (2) As reported in the Schedule 13G/A filed with the SEC by Wellington Management Co. LLP on February 14, 2011. Includes 589,340 shares reported by Bay Pond Partners, L.P., which is a client of Wellington Management Co. LLP, pursuant to the Schedule 13G/A filed with the SEC by Bay Pond Partners, L.P. on February 14, 2011 and reflected in the above table.
- (3) As disclosed in a Schedule 13F filed with the SEC on February 14, 2011 for the calendar year ended December 31, 2010.
- (4) As reported in the Schedule 13G/A filed with the SEC by FMR LLC, the parent of Fidelity Management & Research Company, on February 14, 2011.
- (5) As reported in the Schedule 13G filed with the SEC by Austin W. Marxe and David M. Greenhouse on February 12, 2010. Reflects 487,716 shares owned by Special Situations Cayman Fund, L.P. (“Cayman”), and 450,000 shares owned by Special Situations Fund III QP, L.P. (“SSFQP”). AWM Investment Company, Inc. (“AWM”) is the general partner of and investment adviser to Cayman and SSFQP. Messrs. Marxe and Greenhouse are the controlling principals of AWM.
- (6) As reported in the Schedule 13G/A filed with the SEC on January 20, 2011. Includes 759,202 shares owned by Wells Fargo Capital Management, Inc., a subsidiary of Wells Fargo & Company.

(7) As reported in the Schedule 13G/A filed with the SEC by Bay Pond Partners, L.P. on February 14, 2011.

Security Ownership of Directors and Executive Officers

This table and the accompanying footnotes provide a summary of the beneficial ownership of our common stock as of the Record Date, by (i) our directors, (ii) our executive officers named in Summary Compensation Table, also referred to herein as the Named Executive Officer, and (iii) all of our current directors and executive officers as a group. The following summary is based on information furnished by the respective directors and officers.

Each person has sole voting and investment power with respect to the shares he beneficially owns.

Name	Common	Unvested	Options	Warrants	Total Beneficial		
	Stock	Restricted	Exercisable	(2)	#	(3)	(4)
	A	B	(1) C	D	E	F	
Kenneth A. Boudreau	22,867	-	13,350	-	36,217	0.3	%
John D. Goddard	56,806	-	24,350	-	81,156	0.8	%
David L. Hardin	7,692	-	3,350	-	11,042	0.1	%
Jeff C. Jones	44,592	-	13,350	-	57,942	0.6	%
Michael L. McKennon	17,000	-	21,350	-	38,350	0.4	%
Ronald G. Skipper	42,887	-	24,350	-	67,237	0.6	%
Steven R. Gardner	112,968	-	198,450	-	311,418	3.0	%
Kent Smith	9,230	-	-	-	9,230	0.1	%
Eddie Wilcox	24,780	-	86,725	-	111,505	1.1	%
Mike Karr	10,711	-	21,700	-	32,411	0.3	%
Stock Ownership of all Directors and Executive Officers as a Group (10 persons)	349,533	-	406,975	-	756,508	7.2	%

- 1) In accordance with applicable SEC rules, only shares of unvested restricted stock that vest, or options that are exercisable within 60 days after April 1, 2011 are included in this column.
- 2) The amounts in column D represent warrants to purchase Pacific Premier Bancorp, Inc. common stock which were purchased by the director separately.
 - 3) The amounts in column E are derived by adding shares, unvested restricted stock, options exercisable, and warrants listed in columns A, B, C and D of the table.
- 4) The amounts contained in column F are derived by dividing the amounts in column E of the table by (i) the total outstanding shares of 10,084,226, plus (ii) the total amount in column C, plus (iii) the total amount in column D.

Compensation of Non-Employee Directors

The Company's Board of Directors, acting upon a recommendation from the Compensation Committee, annually determines the non-employee directors' compensation for serving on the Board and its committees. In establishing director compensation, the Board and the Compensation Committee are guided by the following goals:

- Compensation should consist of a combination of cash and equity awards that are designed to fairly pay the directors for work required for a company of our size and scope;
 - Compensation should align the directors' interests with the long-term interests of stockholders; and
 - Compensation should assist with attracting and retaining qualified directors.

The Compensation Committee of the Company was comprised of Messrs. Boudreau, Goddard, and Skipper for 2010, each of whom is "independent" as defined under the NASDAQ listing standards. The Compensation Committee held one meeting during 2010, at which all members were present. The Compensation Committee (i) has oversight responsibility for the Bank's compensation policies, benefits and practices; (ii) reviews the CEO's recommendations concerning individual incentive awards of officers directly reporting to him; (iii) approves all stock option and restricted stock grants; (iv) has oversight responsibility for management planning and succession; and (v) determines the annual compensation amount and the annual bonus, stock option and restricted stock grants of the CEO and CFO. The Compensation Committee may from time to time retain independent compensation consultants to assist it in the exercise of its responsibilities, including developing compensation plans and providing comparative data regarding the Bank's compensation policies.

The Compensation Committee and Board most recently completed this process in December 2010, and determined that our director compensation for 2011 should remain unchanged from 2010. The Company does not pay director compensation to directors who are also our employees. Below are the elements of compensation paid to nonemployee directors for their service on our Board.

Cash Compensation

Company non-employee directors receive the following cash payments for their service on our Board of Directors and Board committees:

- a monthly cash retainer of \$500 for service on the Company Board;
- a monthly cash retainer of \$2,000 for service on the Bank's board of directors;
- a monthly cash retainer of \$2,500 to the Chairman of the Bank's board of directors;
- a quarterly cash retainer of \$500 to the Chairman of the audit committee of the Bank;

During 2010, the Company did not provide perquisites to any director in an amount that is reportable under applicable SEC rules and regulations. All non-employee directors are entitled to reimbursement for travel expense incurred in attending Board and committee meetings.

Stock Compensation

Each non-employee director is eligible for a grant of either options to purchase Company common stock or shares of restricted stock issued from our 2004 Long-term Incentive Plan, as recommended by our Compensation Committee. The options and restricted stock that the Company awards to our directors vest in equal thirds over three years on each anniversary of the date of grant, subject to earlier vesting on termination of service in certain circumstances. All awards are made based on the closing market price on the date of grant. There were no options awarded in 2010.

In January 2011, stock options were awarded to Named Executive Officers and Directors. The Directors awards at January 5, 2011 were:

Name	# of Options	Strike Price
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	1,000	\$6.30
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Ken Boudreau			
John Goddard	1,000	\$6.30	
David Hardin	1,000	\$6.30	
Jeff Jones	1,000	\$6.30	
Mike McKennon	1,000	\$6.30	
Ron Skipper	1,000	\$6.30	

Long-Term Care Insurance Plan

As more fully described under the heading “Long-Term Care Insurance” of “Executive Compensation” below, the Bank implemented in September 2006 a Long-Term Care Insurance Plan for the Named Executive Officers and directors of the Bank. The non-employee directors may elect not to participate in the insurance plan. For those who opt out, the amount of the insurance premium, up to \$4,000 annually, will be recorded each month to their deferred compensation account with interest. See “Deferred Compensation Plan” below. The plan expense for 2010 was \$18,233, and as of December 31, 2010, the accrued liability for the plan was \$45,910.

In accordance with applicable SEC rules and regulations, the following table reports all compensation the Company paid during 2010 to its non-employee directors.

Director Compensation in 2010

2010 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)	Change in Nonqualified Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)	Total (\$)
Kenneth A. Boudreau (1)	30,000	-	-	-	-	-	30,000
John D. Goddard	30,000	-	-	-	715	-	30,715
David L. Hardin	30,000	-	-	-	-	-	30,000
Jeff C. Jones	30,000	-	-	-	715	-	30,715
Michael L. McKennon (1)	32,000	-	-	-	268	-	32,268
Ronald G. Skipper	36,000	-	-	-	-	-	36,000

1) Mr. McKennon started deferring a portion of his Board fees in September 2006. Mr. Boudreau started deferring a portion of his Board fees in January 2008. The deferment program allows a director to defer their normal monthly

Board fees into an account that earns the rate of prime plus one percent. At December 31, 2010, Mr. McKennon had deferred \$70,000 of fees and had earned \$8,077 on that deferment and Mr. Boudreau had deferred \$72,000 of fees and had earned \$4,857 on that deferment.

- 2) There were no awards of stock options in 2010.
- 3) Represents the above market earnings in fiscal year 2010. Above market earnings represent earnings greater than 120% of the 10-year Treasury Note during 2010.

Deferred Compensation Plan

The Bank created a Directors' Deferred Compensation Plan in September 2006 which allows non-employee directors to defer Board of Directors' fees and provides for additional contributions from any opt-out portion of the Long-Term Care Insurance Plan. See "Long-Term Care Insurance Plan" under "Executive Compensation" below. The deferred compensation is credited with interest by the Bank at prime plus one percent and the accrued liability is payable upon retirement or resignation. The Directors' Deferred Compensation Plan is unfunded. The Company is under no obligation to make matching contributions to the Directors' Deferred Compensation Plan. As of December 31, 2010, the unfunded liability for the plan was \$154,421 and the interest expense for 2010 was \$5,381.

2010 NONQUALIFIED DIRECTOR DEFERRED COMPENSATION

Name	Aggregate Balance at Fiscal Year-End Prior to Last Fiscal Year-End (\$)	Director Contributions in Last Fiscal Year (\$)	Long-Term Care Insurance Plan Opt Out Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year-End (\$)
Kenneth A. Boudreau	50,192	24,000	-	2,665	-	76,857
John D. Goddard	14,614	-	4,000	715	-	19,329
David L. Hardin	-	-	-	-	-	-
Jeff C. Jones	14,614	-	4,000	715	-	19,329
Michael L. McKennon	56,847	24,000	1,498	2,984	-	85,329
Ronald G. Skipper	-	-	-	-	-	-

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our Named Executive Officers for 2010, which we refer to as the CD&A, should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. The Compensation Committee may adopt

from time to time additional compensation arrangements or modify current compensation arrangements with our Named Executive Officers based upon its evaluation of the need for such modifications to achieve the objectives of our compensation program discussed below.

Compensation Philosophy and Objectives

This CD&A provides an overview and analysis of our compensation program and policies, the material decisions we have made under those programs and policies with respect to our Named Executive Officers, and the material factors we considered in making those decisions. We discuss within this CD&A the various elements included in executive compensation and how we determined those elements. We also discuss the roles of the Compensation Committee and our CEO in this process.

We believe that the most effective executive compensation program is one that enables us to attract, retain and motivate our Named Executive Officers to achieve the Company's long-term and strategic goals and enhancing long-term stockholder value. We intend for our compensation program to align executives' interests with those of the stockholders by rewarding performance for implementing the Company's various strategies, with the ultimate goal of improving long-term stockholder value. We evaluate both performance and compensation to ensure that we maintain our ability to attract and retain employees in key positions, and to ensure that compensation provided to key employees keeps these employees focused on franchise value creation.

Our Named Executive Officers for 2011 consist of Steven R. Gardner, our CEO, Kent J. Smith, our CFO, Eddie Wilcox, our Chief Banking Officer ("CBO"), and Mike Karr, our Chief Credit Officer ("CCO"). We refer to Messrs. Gardner, Smith, Wilcox, and Karr in this Proxy Statement as our Named Executive Officers.

Process for Making Compensation Decisions

Roles of the Compensation Committee and Compensation Consultants. The Compensation Committee reviews and makes decisions with respect to salaries, cash incentives, equity incentives and employee benefits for our Named Executive Officers. The Compensation Committee has the authority to engage consultants as necessary and to request other information as needed to fairly measure, monitor and control the overall compensation of the Named Executive Officers. During 2010, the Compensation Committee engaged Pearl Meyer & Partners ("PM&P"), consulting firm specializing in compensation program design and evaluation for the financial services industry, to assist in establishing targeted aggregate levels and components of executive compensation. PM&P performed studies of compensation for executive officers at comparable peer group publicly-traded financial institutions and in the industry in general as found in surveys to assist the Compensation Committee in evaluating and determining appropriate market-level compensation.

The 2010 data was developed by PM&P from public filings by selected Peer Banks which the Compensation Committee considers appropriate comparators for the purposes of developing executive compensation benchmarks. Peer Banks were selected based on size (total assets), location (California), loan portfolio and commercial banking focus. The results of the PM&P studies provided the Compensation Committee with context for determining the total compensation for our Named Executive Officers for 2010 and 2011.

The following banking institutions comprised the peer group for the PM&P study:

-American River Bankshares	-Bank of Marin Bancorp
-Bofi Holding, Inc.	-Bridge Capital Holdings

-Central Valley Community Bancorp	-Community West Bancshares
-Farmers & Merchants Bancorp	-First California Financial Group, Inc.
-First Northern Community Bancorp	-FNB Bancorp
-Heritage Commerce Corp	-Heritage Oaks Bancorp
-K-Fed Bancorp (MHC)	-Oak Valley Bancorp
-Pacific Mercantile Bancorp	-Preferred Bank
-Premier Valley Bank	-Provident Financial Holdings, Inc.
-Sierra Bancorp	-United Security Bancshares

The Compensation Committee independently evaluated the various components and levels of compensation for CEOs and CFOs within the peer group focusing on base salary, incentive and equity compensation as well as benefits and retirement plans. Based on this information and the information in the studies and advice from PM&P, and the recommendations of the CEO (in the case of the CFO, CBO and CCO), the Compensation Committee established compensation levels for our Named Executive Officers. These established levels included parameters of base salaries, annual cash incentives, equity incentive awards, retirement plans and other benefits, and other executive benefits (including perquisites) that were appropriate for the Named Executive Officers and in alignment with our compensation philosophy. The Compensation Committee determined, in light of the information provided by PM&P, the executive's most recent salary adjustments, the current size of the Company and the current transformation of Company to a commercial banking business model that base salaries for the Named Executive Officers should change from 2010 levels as follows:

Name	Title	2010	2011	% Change
Steven R. Gardner	President & Chief Executive Officer	\$375,000	\$415,000	10.7%
Kent J. Smith	Executive Vice President and Chief Financial Officer	\$175,000	\$195,000	11.4%
Eddie Wilcox	Executive Vice President and Chief Banking Officer	\$215,000	\$225,000	4.7%
Mike Karr	Executive Vice President and Chief Credit Officer	\$185,000	\$195,000	5.4%

Role of Executive Officers in Compensation Decisions. The Compensation Committee makes the compensation decisions for the Named Executive Officers as set forth in the Summary Compensation Table below. The CEO reviews the performance of the CFO, CBO, and CCO annually and makes recommendations on salary adjustments and annual award amounts, which are presented to the Compensation Committee. The Compensation Committee then exercises its discretion and modifies any recommendations, adjustments, or awards to the CFO, CBO, and CCO, to align any such adjustment or award with the overall compensation philosophies of the Company.

Elements of Compensation

For fiscal year ended December 31, 2010, the principal elements of compensation for the Named Executive Officers were:

- Base salary;
- Annual discretionary cash incentive awards;
 - Long-term equity incentive awards,
 - Retirement plans and other benefits; and
- Other executive benefits, such as perquisites and severance benefits.

Base Salary

The Company provides the Named Executive Officers and all other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for the Named Executive Officers are determined by using market assessments and internal evaluations for each executive based on his position, experience, anticipated contributions and responsibilities.

As part of its review of base salaries for the Named Executive Officers, the Compensation Committee considers:

- market data provided by public proxy information which may be confirmed or reviewed by independent sources;
- scope of the roles, duties and responsibilities of the executive and the impact these duties have on both the short and long term performance of the Company; and
 - individual performance of the executive.

Except as determined by the terms of the employment agreements with our Named Executive Officers, salary levels are typically reviewed annually as part of the Company's performance review process as well as upon a promotion or other change in job responsibility.

Employment Agreements. The Company previously entered into employment agreements with Mr. Gardner and Mr. Wilcox, our Named Executive Officers. We believe employment agreements serve a number of functions, including (1) retention of our Named Executive Officers; (2) mitigation of any uncertainty about future employment and continuity of management in the event of a change in control; and (3) protection of the Company and customers through confidentiality and non-solicitation covenants. Except as determined by the terms of the employment agreements with our Named Executive Officers, salary levels are typically reviewed annually as part of the Company's performance review process as well as upon a promotion or other change in job responsibility. Subsequent to the fiscal year, the Company entered into amended employment agreements with Mr. Gardner and Mr. Wilcox, and new employment agreements with Mr. Karr and Mr. Smith.

Incentive Compensation

The Company's incentive compensation is designed to provide cash (short-term) and equity-based (long-term) incentive compensation to:

- promote high performance on a risk adjusted basis and achievement of the our strategic plans by our Named Executive Officers and key employees;
 - encourage the growth of stockholder value; and
- allow key employees to participate as an equity stockholder in the long-term growth and profitability of the Company.

Annual Incentive Cash Awards. The Compensation Committee oversees establishment of annual discretionary incentive cash awards that are designed to motivate short-term performance and retain talent. In 2010, the Compensation Committee discussed if there was a need to establish specific performance targets for the awarding of the discretionary cash award and concluded that annual incentives for executives based on specific performance targets was not be in the best interest of the stockholders. Instead, the Compensation Committee focused on both the Company's performance compared to select peer banks performance, as well as the Named Executive Officers' performance in light of the key areas of implementation of the strategic plan such as new business account acquisition, new relationship account growth, core deposit growth, loan portfolio diversification, loan quality, as well as the overall risk mitigation and management practices.

The Compensation Committee analyzed the Bank's financial performance compared to the Company's 2010 budget and financial forecast and the peer banks and referenced the increasingly challenging environment for financial institutions. The Compensation Committee discussed the growth in business accounts and business banking relationships as well as the change in the composition of the loan portfolio. The Compensation Committee also discussed the specific performance of Mr. Gardner and the Bank for the past year and the transition of the Bank to a commercial banking business model. When determining the Named Executive Officers' discretionary cash awards, the Compensation Committee took into consideration all components of compensation including the Named Executive Officer's use of a Company owned vehicle or vehicle allowance, the payment of his life insurance premium, health benefits, Salary Continuation Plan, if applicable, and total cash compensation.

Based on its analysis, the Compensation Committee approved the following discretionary incentive cash awards for the Named Executive Officers for 2010, which were paid in January 2011, in the amount of \$168,750 for the CEO, \$21,875 for the CFO, and \$53,750 for the CBO. The cash incentive award for the CCO in 2010 was \$27,750 and was paid in December 2010.

Long-Term Equity Incentive Awards. We maintain the 2004 Long-term Incentive Plan, under which we are permitted to grant incentive stock options, restricted stock grants and stock appreciation rights. Each Named Executive Officer is eligible for equity incentive awards under the 2004 Long-term Incentive Plan, as determined by the Compensation Committee. The options and restricted stock that the Company awards to our Named Executive Officers vest in equal thirds over three years on each anniversary of the date of grant, subject to earlier vesting on termination of service in certain circumstances. All awards are made based on the closing market price of our common stock on the date of grant.

The Compensation Committee believes it is important that the Named Executive Officers' and employees' interests are aligned with stockholders and to provide long term incentive to achieve the Company's goals and attract and retain talented executive officers. In discussing the grant of equity incentive awards to the Named Executive Officers for 2010, the Compensation Committee concluded, consistent with its determination of the annual discretionary incentive cash awards discussed above, that because of the Company's strategic transition to a commercial banking platform, financial measures for the grants of equity awards were less relevant for 2010 than would be during a period of non-transition. The Committee also noted the fact that the Named Executive Officers have made open market purchases of the Company's stock from time to time and thus have continued to commit personal cash toward the

support of the Company's stock.

As a result, for 2010, there were no awards of stock options or restricted stock to the Named Executive Officers. In January 2011, stock options were awarded to Named Executive Officers and Directors. The Named Executive Officer awards at January 5, 2011 were:

Name	Title	# of Options	Strike Price
Steven R. Gardner	President & Chief Executive Officer	5,000	\$6.30
Kent J. Smith	Executive Vice President and Chief Financial Officer	2,000	\$6.30
Eddie Wilcox	Executive Vice President and Chief Banking Officer	2,000	\$6.30
Mike Karr	Executive Vice President and Chief Credit Officer	2,000	\$6.30

Retirement Plans and Other Benefits

The Bank provides one tax-qualified, broadly-based Employee Savings Plan (the "401(k) Plan"), to all employees and management of the Bank. Under the 401(k) Plan, employees may contribute from 1% to 50% of their compensation. In 2010, the Bank matched 100% of contributions for the first three percent contributed and 50% on the next two percent contributed. The amounts of contributions made to the 401(k) Plan by the Bank were \$148,064 for the year ended December 31, 2010, for all employees of the Bank and \$52,500 to executives named in the Summary Compensation Table. See "All Other Compensation" below.

In addition, the Bank implemented in 2006 a non-qualified supplemental retirement plan or the Salary Continuation Plan for the CEO and former CFO, John Shindler who resigned in August 2009. The Salary Continuation Plan is an unfunded plan and the Company is under no obligation to fund the Salary Continuation Plan. See "Salary Continuation Plan" under "Nonqualified Deferred Compensation" below.

Also in September 2006, the Bank implemented a Long-Term Care Insurance Plan for the Named Executive Officers at the time. The 2010 expense for this plan for the CEO and CBO was \$3,969. See "Long-Term Care Insurance Plan" under "Nonqualified Deferred Compensation" below.

Additionally, the Company provides Mr. Gardner, per his employee agreement, a life insurance policy in the amount of \$1.5 million and a short-term disability policy. See "All Other Compensation" below.

Perquisites and Other Personal Benefits

The Company provides perquisites and other personal benefits that the Company and the Compensation Committee believe are reasonable and consistent with the Company's overall compensation objectives of attracting and retaining superior employees for key positions. The Compensation Committee annually reviews the levels of perquisites and other personal benefits provided to the CEO, CFO, CBO and CCO.

Perquisites provided for the CEO, CFO, CBO and CCO may include, but are not limited to, the use of Company automobiles, auto allowance, travel and transportation accommodations, entertainment expenses, and participation in the plans and programs described above.

Attributed costs of the perquisites received by the above individuals for the fiscal year 2010 are included in the "All Other Compensation" column and related footnotes of the "Summary Compensation Table" below.

Employment Arrangements

Given the state of our industry and the Named Executive Officer's leadership positions with the Company or the Bank, the Company previously entered into employment agreements with Mr. Gardner and Mr. Wilcox. We believe employment agreements serve a number of functions, including (1) retention of our Named Executive Officers; (2) mitigation of any uncertainty about future employment and continuity of management in the event of a change in control; and (3) protection of the Company and customers through confidentiality and non-solicitation covenants. Subsequent to the fiscal year-end, the Company entered into amended employment agreements with Mr. Gardner and Mr. Wilcox, and new employment agreements with Mr. Karr and Mr. Smith. The new employment agreements entered into by the Bank and the Company with Mr. Gardner and Wilcox generally have the same terms as the prior agreement. A summary of the employment agreement terms include the following:

Gardner Employment Agreement. Mr. Steven Gardner, the Company and the Bank entered into an Employment Agreement dated January 1, 2011 ("Gardner Agreement") that provides for the employment of Mr. Gardner as the President and Chief Executive Officer of the Company and the Bank. The Gardner Agreement has a term of three (3) years and, on each annual anniversary date, the term automatically is extended for an additional one-year period by the Company's and the Bank's boards of directors, unless Mr. Gardner, on the one hand, or the Company or the Bank, on the other hand, gives written notice to the other party of its election not to extend the term of the Gardner Agreement, with such notice to be given not less than ninety (90) days prior to any such anniversary date. If such notice is given by either party, then the Gardner Agreement will terminate at the conclusion of its remaining term.

Pursuant to the Gardner Agreement, Mr. Gardner will receive a minimum base salary of \$415,000 per year, which may be increased from time to time in such amounts as may be determined by the Company's and the Bank's boards of directors. In addition, Mr. Gardner will be eligible for a discretionary performance bonus not to exceed 100% of his base salary, based on his individual performance and the overall performance of the Company and the Bank, with eligibility and the amount of any such bonus to be at the discretion of Compensation Committee of each of the Company's and the Bank's boards of directors. In addition, Mr. Gardner will receive the use of an automobile paid for by the Company and the Bank. Mr. Gardner also is entitled to participate in any pension, retirement or other benefit plan or program given to employees and executives of the Company and the Bank, to the extent commensurate with Mr. Gardner's then duties and responsibilities as fixed by the boards of directors of the Company and the Bank.

Pursuant to the Gardner Agreement, the Company and the Bank have the right, at any time upon prior notice of termination, to terminate Mr. Gardner's employment for any reason, including, without limitation, termination for "Cause" or "Disability" (each as defined in the Gardner Agreement), and Mr. Gardner has the right, upon prior notice of termination, to terminate his employment with the Company and the Bank for any reason.

In the event that Mr. Gardner's employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Gardner's death and such termination occurs within two (2) years following a "Change in Control" (as defined in the Gardner Agreement) or (b) by Mr. Gardner due to a material breach of the Gardner Agreement by the Company and the Bank, or for "Good Reason" (as defined in the Gardner Agreement), then Mr. Gardner will be entitled to receive a lump sum cash severance amount equal to Mr. Gardner's base salary plus his incentive bonus for the previous year as in effect immediately prior to the date of termination, multiplied by three (3) years, less taxes and other required withholding. In the event that Mr. Gardner's employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Gardner's death and such termination does not occur in conjunction with a Change in Control or two (2) years after a Change in Control, then Mr. Gardner will be entitled to receive a lump sum cash severance amount equal to Mr. Gardner's base salary as in effect immediately prior to the date of termination multiplied by two (2) years, plus his incentive bonus for the previous year, less taxes and other required withholding. In each case, Mr. Gardner also will be entitled to receive for a period ending at the earlier of (i) the third

anniversary of the date of termination or (ii) the date of his full-time employment by another employer, at no cost to him, the continued participation in all group insurance, life insurance, health and accident, disability and other employee benefit plans, programs and arrangements in which he was entitled to participate immediately prior to the date of termination, other than any stock option or other stock compensation plans or bonus plans of the Company and the Bank; provided, however, if his participation in any such plan, program or arrangement is barred, the Company and the Bank will arrange to provide him with benefits substantially similar to those he was entitled to receive under such plans, programs and arrangements.

If the payments and benefits to Mr. Gardner upon termination would constitute a “parachute payment” under Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), the payments and benefits payable by the Company and the Bank under the Gardner Agreement will be reduced, in the manner determined by Mr. Gardner, by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable by the Company and the Bank to Mr. Gardner being non-deductible to the Company and the Bank pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code.

In the event that Mr. Gardner’s employment is terminated by the Company and the Bank for Cause, or Mr. Gardner terminates his employment other than for Disability or Good Reason, Mr. Gardner will have no right to compensation or other benefits for any period after the applicable date of termination other than for base salary accrued through the date of termination. In the event that Mr. Gardner’s employment is terminated as a result of Disability or death during the term of the Gardner Agreement, Mr. Gardner, or his estate in the event of his death, will receive the lesser of (i) his existing base salary as in effect as of the date of termination or death, multiplied by one year or (ii) his base salary for the duration of the term of employment.

Mr. Gardner has agreed that during the term of his employment and after termination of his employment that he will not disclose to any other person or entity, other than in the regular course of business of the Company and the Bank, any “Confidential and Proprietary Information” (as defined in the Gardner Agreement), other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company and the Bank. Mr. Gardner has agreed that during the term of the Gardner Agreement and for two (2) years after the date of termination, he will not solicit for hire or encourage another person to solicit for hire a “Covered Employee” (as defined in the Gardner Agreement).

The Gardner Agreement supersedes and replaces the Employment Agreement between Mr. Gardner, the Company and the Bank dated December 19, 2007, which was terminated in connection with entering into the Gardner Agreement.

The Gardner Agreement will not impact the benefits that Mr. Gardner is entitled to receive pursuant to the Salary Continuation Agreement between Mr. Gardner and the Bank dated May 17, 2006.

Wilcox Employment Agreement. Mr. Edward Wilcox, the Company and the Bank entered into an Employment Agreement dated January 1, 2011 (“Wilcox Agreement”) that provides for the employment of Mr. Wilcox as the Executive Vice President and Chief Banking Officer of the Company and the Bank. The Wilcox Agreement has a term of three (3) years, and, on each annual anniversary date, the term automatically is extended for an additional one-year period by the Company’s and the Bank’s boards of directors, unless Mr. Wilcox, on the one hand, or the Company or the Bank, on the other hand, gives written notice to the other party of its election not to extend the term of the Wilcox Agreement, with such notice to be given not less than ninety (90) days prior to any such anniversary date. If such notice is given by either party, then the Wilcox Agreement will terminate at the conclusion of its remaining term.

Pursuant to the Wilcox Agreement, Mr. Wilcox will receive a minimum base salary of \$225,000 per year, which may be increased from time to time in such amounts as may be determined by the Company’s and the Bank’s boards of directors. In addition, Mr. Wilcox will be eligible for a discretionary performance bonus not to exceed 100% of his base salary, based on his individual performance and the overall performance of the Company and the Bank, with

eligibility and the amount of any such bonus to be at the discretion of the Compensation Committee of each of the Company's and Bank's boards of directors. Mr. Wilcox is also entitled to participate in any pension, retirement or other benefit plan or program given to employees and executives of the Company and the Bank, to the extent commensurate with Mr. Wilcox's then duties and responsibilities as fixed by the boards of directors of the Company and the Bank.

Pursuant to the Wilcox Agreement, the Company and the Bank have the right, at any time upon prior notice of termination, to terminate Mr. Wilcox's employment for any reason, including, without limitation, termination for "Cause" or "Disability" (each as defined in the Wilcox Agreement), and Mr. Wilcox has the right, upon prior notice of termination, to terminate his employment with the Company and the Bank for any reason.

In the event that Mr. Wilcox's employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Wilcox's death and such termination occurs within two (2) years following a "Change in Control" (as defined in the Wilcox Agreement) or (b) by Mr. Wilcox due to a material breach of the Wilcox Agreement by the Company and the Bank, or for "Good Reason" (as defined in the Wilcox Agreement), then Mr. Wilcox will be entitled to receive a lump sum cash severance amount equal to his base salary plus his incentive bonus for the previous year as in effect immediately prior to the date of termination, less taxes and other required withholding. In the event that Mr. Wilcox's employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Wilcox's death and such termination does not occur in conjunction with a Change in Control or two (2) years after a Change in Control, then Mr. Wilcox will be entitled to receive a lump sum cash severance amount equal to his base salary as in effect immediately prior to the date of termination, plus his incentive bonus for the previous year, less taxes and other required withholding. In each case, Mr. Wilcox also will be entitled to receive for a period ending at the earlier of (i) the third anniversary of the date of termination or (ii) the date of his full-time employment by another employer, at no cost to him, the continued participation in all group insurance, life insurance, health and accident, disability and other employee benefit plans, programs and arrangements in which he was entitled to participate immediately prior to the date of termination, other than any stock option or other stock compensation plans or bonus plans of the Company and the Bank; provided, however, if his participation in any such plan, program or arrangement is barred, the Company and the Bank will arrange to provide him with benefits substantially similar to those he was entitled to receive under such plans, programs and arrangements.

If the payments and benefits to Mr. Wilcox upon termination would constitute a "parachute payment" under Section 280G of the Code, the payments and benefits payable by the Company and the Bank under the Wilcox Agreement will be reduced, in the manner determined by Mr. Wilcox, by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable by the Company and the Bank to Mr. Wilcox being non-deductible to the Company and the Bank pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code.

In the event that Mr. Wilcox's employment is terminated by the Company and the Bank for Cause, or Mr. Wilcox terminates his employment other than for Disability or Good Reason, Mr. Wilcox will have no right to compensation or other benefits for any period after the applicable date of termination or death other than for base salary accrued through the date of termination or death. In the event that Mr. Wilcox's employment is terminated as a result of Disability or Mr. Wilcox's death during the term of the Wilcox Agreement, Mr. Wilcox, or his estate in the event of his death, will receive the lesser of (i) his existing base salary as in effect as of the date of termination or death, multiplied by one year or (ii) his base salary for the duration of the term of employment.

Mr. Wilcox has agreed that during the term of his employment and after termination of his employment, he will not disclose to any other person or entity, other than in the regular course of business of the Company and the Bank, any "Confidential and Proprietary Information" (as defined in the Wilcox Agreement), other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company and the Bank. Pursuant to the terms of the Wilcox Agreement, Mr. Wilcox agreed that during the term of the Wilcox Agreement and for one (1) year after the date of termination he will not solicit for hire or encourage another person to solicit for hire a "Covered Employee" (as defined in the Wilcox Agreement).

The Wilcox Agreement supersedes and replaces the Employment Agreement between the Bank and Mr. Wilcox dated December 19, 2007, which was terminated in connection with entering into the Wilcox Agreement.

Smith Employment Agreement. Mr. Kent Smith, the Company and the Bank entered into an Employment Agreement dated January 1, 2011 (“Smith Agreement”) that provides for the employment of Mr. Smith as the Senior Vice President and Chief Financial Officer of the Company and the Bank. The Smith Agreement has a term of three (3) years, and, on each annual anniversary date, the term automatically is extended for an additional one-year period by the Company’s and the Bank’s boards of directors, unless Mr. Smith, on the one hand, or the Company or the Bank, on the other hand, gives written notice to the other party of its election not to extend the term of the Smith Agreement, with such notice to be given not less than ninety (90) days prior to any such anniversary date. If such notice is given by either party, then the Smith Agreement will terminate at the conclusion of its remaining term.

Pursuant to the Smith Agreement, Mr. Smith will receive a minimum base salary of \$195,000 per year, which may be increased from time to time in such amounts as may be determined by the Company’s and the Bank’s boards of directors. In addition, Mr. Smith will be eligible for a discretionary performance bonus not to exceed 100% of his base salary, based on his individual performance and the overall performance of the Company and the Bank, with eligibility and the amount of any such bonus to be at the discretion of the Compensation Committee of each of the Company’s and Bank’s boards of directors. Mr. Smith is also entitled to participate in any pension, retirement or other benefit plan or program given to employees and executives of the Company and the Bank, to the extent commensurate with Mr. Smith’s then duties and responsibilities as fixed by the boards of directors of the Company and the Bank.

Pursuant to the Smith Agreement, the Company and the Bank have the right, at any time upon prior notice of termination, to terminate Mr. Smith’s employment for any reason, including, without limitation, termination for “Cause” or “Disability” (each as defined in the Smith Agreement), and Mr. Smith has the right, upon prior notice of termination, to terminate his employment with the Bank for any reason.

In the event that Mr. Smith’s employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Smith’s death and such termination occurs within two (2) years following a “Change in Control” (as defined in the Smith Agreement) or (b) by Mr. Smith due to a material breach of the Smith Agreement by the Company and the Bank, or for “Good Reason” (as defined in the Smith Agreement), then Mr. Smith will be entitled to receive a lump sum cash severance amount equal to his base salary plus his incentive bonus for the previous year as in effect immediately prior to the date of termination, less taxes and other required withholding. In the event that Mr. Smith’s employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Smith’s death and such termination does not occur in conjunction with a Change in Control or two (2) years after a Change in Control, then Mr. Smith will be entitled to receive a lump sum cash severance amount equal to his base salary as in effect immediately prior to the date of termination, plus his incentive bonus for the previous year, less taxes and other required withholding. In each case, Mr. Smith also will be entitled to receive for a period ending at the earlier of (i) the third anniversary of the date of termination or (ii) the date of his full-time employment by another employer, at no cost to him, the continued participation in all group insurance, life insurance, health and accident, disability and other employee benefit plans, programs and arrangements in which he was entitled to participate immediately prior to the date of termination, other than any stock option or other stock compensation plans or bonus plans of the Company and the Bank; provided, however, if his participation in any such plan, program or arrangement is barred, the Company and the Bank will arrange to provide him with benefits substantially similar to those he was entitled to receive under such plans, programs and arrangements.

If the payments and benefits to Mr. Smith upon termination would constitute a “parachute payment” under Section 280G of the Code, the payments and benefits payable by the Company and the Bank under the Smith Agreement will be reduced, in the manner determined by Mr. Smith, by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable by the Company and the Bank to Mr. Smith being non-deductible to

the Company and the Bank pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code.

In the event that Mr. Smith's employment is terminated by the Company and the Bank for Cause, or Mr. Smith terminates his employment other than for Disability or Good Reason, Mr. Smith will have no right to compensation or other benefits for any period after the applicable date of termination or death other than for base salary accrued through the date of termination or death. In the event that Mr. Smith's employment is terminated as a result of Disability or Mr. Smith's death during the term of the Smith Agreement, Mr. Smith, or his estate in the event of his death, will receive the lesser of (i) his existing base salary as in effect as of the date of termination or death, multiplied by one year or (ii) his base salary for the duration of the term of employment.

Mr. Smith has agreed that during the term of his employment and after termination of his employment, he will not disclose to any other person or entity, other than in the regular course of business of the Company and the Bank, any "Confidential and Proprietary Information" (as defined in the Smith Agreement), other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company and the Bank. Pursuant to the terms of the Smith Agreement, Mr. Smith has agreed that during the term of the Smith Agreement and for one (1) year after the date of termination he will not solicit for hire or encourage another person to solicit for hire a "Covered Employee" (as defined in the Smith Agreement).

Karr Employment Agreement. Mr. Michael Karr, the Company and the Bank entered into an Employment Agreement dated January 1, 2011 ("Karr Agreement") that provides for the employment of Mr. Karr as the Senior Vice President and Chief Credit Officer of the Company and the Bank. The Karr Agreement has a term of three (3) years, and, on each annual anniversary date, the term automatically is extended for an additional one-year period by the Company's and the Bank's boards of directors, unless Mr. Karr, on the one hand, or the Company or the Bank, on the other hand, gives written notice to the other party of its election not to extend the term of the Karr Agreement, with such notice to be given not less than ninety (90) days prior to any such anniversary date. If such notice is given by either party, then the Karr Agreement will terminate at the conclusion of its remaining term.

Pursuant to the Karr Agreement, Mr. Karr will receive a minimum base salary of \$195,000 per year, which may be increased from time to time in such amounts as may be determined by the Company's and the Bank's boards of directors. In addition, Mr. Karr will be eligible for a discretionary performance bonus not to exceed 100% of his base salary, based on his individual performance and the overall performance of the Company and the Bank, with eligibility and the amount of any such bonus to be at the discretion of the Compensation Committee of each of the Company's and Bank's boards of directors. Mr. Karr is also entitled to participate in any pension, retirement or other benefit plan or program given to employees and executives of the Company and the Bank, to the extent commensurate with Mr. Karr's then duties and responsibilities as fixed by the boards of directors of the Company and the Bank.

Pursuant to the Karr Agreement, the Company and the Bank have the right, at any time upon prior notice of termination, to terminate Mr. Karr's employment for any reason, including, without limitation, termination for "Cause" or "Disability" (each as defined in the Karr Agreement), and Mr. Karr has the right, upon prior notice of termination, to terminate his employment with the Bank for any reason.

In the event that Mr. Karr's employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Karr's death and such termination occurs within two (2) years following a "Change in Control" (as defined in the Karr Agreement) or (b) by Mr. Karr due to a material breach of the Karr Agreement by the Company and the Bank, or for "Good Reason" (as defined in the Karr Agreement), then Mr. Karr will be entitled to receive a lump sum cash severance amount equal to his base salary plus his incentive bonus for the previous year as in effect immediately prior to the date of termination, less taxes and other required withholding. In the event that Mr. Karr's employment is (a) terminated by the Company and the Bank for other than Cause, Disability, or Mr. Karr's death and such termination does not occur in conjunction with a Change in Control or two (2) years after a Change in Control,

then Mr. Karr will be entitled to receive a lump sum cash severance amount equal to his base salary as in effect immediately prior to the date of termination, plus his incentive bonus for the previous year, less taxes and other required withholding. In each case, Mr. Karr also will be entitled to receive for a period ending at the earlier of (i) the third anniversary of the date of termination or (ii) the date of his full-time employment by another employer, at no cost to Mr. Karr, the continued participation in all group insurance, life insurance, health and accident, disability and other employee benefit plans, programs and arrangements in which he was entitled to participate immediately prior to the date of termination, other than any stock option or other stock compensation plans or bonus plans of the Company and the Bank; provided, however, if his participation in any such plan, program or arrangement is barred, the Company and the Bank will arrange to provide him with benefits substantially similar to those he was entitled to receive under such plans, programs and arrangements.

If the payments and benefits to Mr. Karr upon termination would constitute a “parachute payment” under Section 280G of the Code, the payments and benefits payable by the Company and the Bank under the Karr Agreement will be reduced, in the manner determined by Mr. Karr, by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable by the Company and the Bank to Mr. Karr being non-deductible to the Company and the Bank pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code.

In the event that Mr. Karr’s employment is terminated by the Company and the Bank for Cause, or Mr. Karr terminates his employment other than for Disability or Good Reason, Mr. Karr will have no right to compensation or other benefits for any period after the applicable date of termination or death other than for base salary accrued through the date of termination or death. In the event that Mr. Karr’s employment is terminated as a result of Disability or Mr. Karr’s death during the term of the Karr Agreement, Mr. Karr, or his estate in the event of his death, will receive the lesser of (i) his existing base salary as in effect as of the date of termination or death, multiplied by one year or (ii) his base salary for the duration of the term of employment.

Mr. Karr has agreed that during the term of his employment and after termination of his employment, he will not disclose to any other person or entity, other than in the regular course of business of the Company and the Bank, any “Confidential and Proprietary Information” (as defined in the Karr Agreement), other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company and the Bank. Pursuant to the terms of the Karr Agreement, Mr. Karr has agreed that during the term of the Karr Agreement and for one (1) year after the date of termination he will not solicit for hire or encourage another person to solicit for hire a “Covered Employee” (as defined in the Karr Agreement).

Salary Continuation Agreements

As more fully discussed in “Salary Continuation Plan” under “Nonqualified Deferred Compensation” below, we have established a Salary Continuation Plan for our CEO that provides for certain annual benefits for him following his retirement from the Company, and that provides for the acceleration of his benefits upon his termination due to a change-in-control, as that term is defined in the plan.

Administration of the Company’s Compensation Program

The Company monitors its compensation program through the Compensation Committee. The Compensation Committee ensures that the total compensation paid to the Company’s Named Executive Officers are appropriate given the Company’s compensation goals and philosophies, as well as the skill sets and abilities of each individual recipient. The Company, through the Compensation Committee, endeavors to ensure that that the compensation and benefits of the Named Executive Officers are appropriate as compared to similar executive officers within the banking industry.

The Compensation Committee’s responsibilities are to:

- establish the base salary, incentive compensation and any other compensation for the Company's CEO and; review and approve the base salary, incentive compensation and other compensation for the CFO, the CBO and the CCO in consultation with the Company's CEO;
- monitor the Company's management incentive and equity-based compensation plans, retirement and benefit plans and discharge the duties imposed on the Compensation Committee by the terms of those plans; and
 - perform other functions or duties deemed appropriate by the Board.

Compensation decisions for our Named Executive Officers and the non-employee Directors are made by the Compensation Committee.

Accounting and Tax Considerations - Equity-Based Compensation

The Compensation Committee also considers the tax and accounting treatment of the various components of compensation, and although these considerations do not generally drive its decisions, the Compensation Committee generally strives to put the Company in the best position with respect to tax and accounting treatment. In particular, the Compensation Committee attempts to ensure that compensation to Named Executive Officers is deductible under Section 162(m) of the Internal Revenue Code, although the Compensation Committee has reserved the right to provide compensation to Named Executive Officers that is not deductible for income tax purposes as circumstances warrant.

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis set forth in this Proxy Statement with management. Based on this review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE

John D. Goddard, Chair
Kenneth A. Boudreau
Ronald G. Skipper

Compensation Policies and Programs and Risk Management

The Compensation Committee views the Company's compensation program with a long-term focus. The greatest amount of compensation can be achieved over long periods of time through sustained excellent performance. We believe our compensation policies and programs provide a balanced mix of cash and equity, annual and longer-term incentives, and performance metrics that mitigate excessive risk-taking that could harm our value or reward poor judgment by our Named Executive Officers. In addition, the Compensation Committee, with the assistance of the CEO, establishes goals and objectives with a mix of quantitative and qualitative performance elements in order to avoid excessive weight on one performance measure. The Compensation Committee retains discretion in making final award determinations under its program so as to take into account changing market conditions, which allows our executives to focus on the long-term health of our Company rather than an "all or nothing" approach to achieving short-term goals.

Summary Compensation Table

The following table shows the compensation of our Named Executive Officers for services to the Company or the Bank during the years ended December 31, 2010, 2009 and 2008, respectively.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$ (2))	Option Awards (\$ (3)(4))	Non-Equity Incentive Plan Compensation (\$ (5))	Change in Nonqualified Deferred Compensation (\$)	All Other Compensation (\$ (6))	Total (\$)
Steven R. Gardner President and Chief Executive Officer	2010	375,000	168,750	-	-	66,098	-	35,206	645,054
	2009	375,000	67,500	-	-	62,062	-	29,220	533,977
	2008	373,558	265,000	-	162,600	58,641	-	29,513	889,312
Eddie Wilcox Vice President and Chief Banking Officer	2010	215,000	53,750	-	-	-	-	21,427	290,177
	2009	215,000	43,000	-	-	-	-	18,043	279,043
	2008	215,000	90,000	-	113,425	-	-	16,934	435,359
Kent Smith (*) Vice President and Chief Financial Officer	2010	175,000	21,875	-	-	-	-	14,918	211,793
	2009	49,808	5,000	-	-	-	-	1,185	55,993
	2008	-	-	-	-	-	-	-	-
Mike Karr Vice President and Chief Credit	2010	185,000	27,750	-	-	-	-	21,927	234,677
	2009	165,000	24,750	-	-	-	-	8,528	198,278
	2008	165,000	41,280	-	-	-	-	3,219	209,499

Officer

(*) Kent Smith was hired as Senior Vice President and Chief Financial Officer on September 8, 2009.

(1) Discretionary incentive cash awards earned in 2008 were paid in 2009; Discretionary incentive cash awards earned in 2009 were paid in 2010; and Discretionary incentive cash awards earned in 2010 were paid in 2011, with the exception of Mr. Karr who received his discretionary cash incentive for 2010 in December of 2010.

(2) There were no stock awards granted in 2008, 2009, or 2010.

(3) Option awards include options that were awarded on January 2, 2008 at a grant price that was \$7.10 per share and on August 27, 2008 at a grant price that was \$5.01 per share. Mr. Gardner was awarded options to purchase a total of 60,000 shares of common stock in 2008, and Mr. Wilcox was awarded options to purchase a total of 42,500 shares of common stock in 2008. There were no options awards in 2009 or 2010.

(4) The value of options granted in 2008 were determined based upon the aggregate grant date fair value as computed pursuant to FASB ASC Topic 718. “Refer to Note 13 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010 for a discussion of the assumptions underlying the option award valuations. There were no option awards in 2010.

(5) Non-equity Incentive Plan Compensation included amounts as detailed in “Salary Continuation Plan.”

(6) All Other Compensation is detailed in the section “All Other Compensation” below.

Stock Awards

The Company made no awards of stock in 2010.

Option Awards

The Company made no awards of stock options in 2010.

Non-Equity Incentive Compensation

The Company’s non-equity incentive compensation consists solely of discretionary cash bonuses paid to the Named Executive Officers as described in “Annual Incentive Cash Awards” above. In the case of Mr. Gardner, the non-equity incentive compensation cannot exceed 125% of his base salary per his employment agreement effective in 2010, and in the case of Mr. Wilcox, the non-equity incentive compensation cannot exceed 125% of his base salary per her employment agreement effective in 2010.

All Other Compensation

The amount of All Other Compensation reported for each Named Executive Officer in the Summary Compensation Table above consisted of the following:

ALL OTHER COMPENSATION					
	401(k)				
Year	Contributions	Auto	Group	Other	Total
	(\$)	(\$)	Term Life	Insurance	(\$)
		(1)			

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Name and Principal Position				(\$)	\$(2)	
Steven R. Gardner President and Chief Executive Officer	2010	16,500	7,037	585	11,084	35,206
Eddie Wilcox Executive Vice President and Chief Banking Officer	2010	10,750	4,800	198	5,679	21,427
Kent Smith Executive Vice President and Chief Financial Officer	2010	8,750	-	225	5,943	14,918
Mike Karr Executive Vice President and Chief Credit Officer	2010	16,500	-	157	5,270	21,927

- 1) Mr. Gardner has the use of a Company-leased vehicle and this amount represents the personal use by Mr. Gardner. Mr. Wilcox received an annual auto allowance of \$4,800.
- 2) Mr. Gardner is covered under a separate \$1.5 million life insurance policy, for which the Bank pays \$698.70 every six months. The Bank pays for a Short Term Disability policy for Mr. Gardner which costs \$1,728 annually.

Grants of Plan-Based Awards in 2010

The Company made no grants of plan-based awards in 2010.

Outstanding Equity Awards

This table shows the equity awards that have been previously awarded to each of the Named Executive Officers and which remained outstanding as of December 31, 2010.

2010 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That

							Vested (#)	Have Not Vested (\$)
Steven R. Gardner	25,000	-	- \$	5.85	12/19/2012	- \$	-	-
President and Chief Executive Officer	25,000	-	- \$	10.54	12/10/2013	-	-	-
	75,000	-	- \$	10.65	6/30/2014	-	-	-
	25,000	-	- \$	12.10	1/3/2017	-	-	-
	16,750	-	8,250 \$	7.10	1/2/2018	-	-	-
	23,450	-	11,550 \$	5.01	8/27/2018	-	-	-
Eddie Wilcox	10,000	-	- \$	7.47	8/4/2013	- \$	-	-
Executive Vice President and Chief Banking Officer	5,000	-	- \$	10.54	12/10/2013	-	-	-
	25,000	-	- \$	10.65	6/30/2014	-	-	-
	10,000	-	- \$	12.10	1/3/2017	-	-	-
	16,750	-	8,250 \$	7.10	1/2/2018	-	-	-
	11,725	-	5,775 \$	5.01	8/27/2018	-	-	-
Mike Karr	5,000	-	- \$	12.10	1/3/2017	- \$	-	-
Executive Vice President and Chief Credit Officer	6,700	-	3,300 \$	7.10	1/2/2018	-	-	-
	6,700	-	3,300 \$	5.01	8/27/2018	-	-	-

The unearned options from the table above vest as follows:

Name	Unvested	Vesting Date	Vesting %
Steven R. Gardner	8,250	1/2/2011	100 %
	11,550	8/27/2011	100 %
Eddie Wilcox	8,250	1/2/2011	100 %
	5,775	8/27/2011	100 %
Mike Karr	3,300	1/2/2011	100 %
	3,300	8/27/2011	100 %

Exercised Options in 2010

The table below lists the number of options exercised during 2010.

Name	2010 OPTION EXERCISES AND STOCK VESTED		Stock Awards	
	Option Awards		Number	Value
	Number	Value	of Shares	Realized
	of Shares	Realized on	Acquired	on
	Acquired	Exercise (\$)	on	Vesting
	on		Vesting	Vesting
	Exercise		(#)	(\$)
	(#)			
Steven R. Gardner (*)	20,000	60,850	-	\$ -
President and Chief Executive Officer				

* Mr. Gardner exercised one option for 20,000 shares on December 31, 2010. The options had an expiration date of January 2, 2011 and an exercise price of \$3.4375 per share.

Pension Benefits

The Company has no pension benefits plans.

Nonqualified Deferred Compensation

The Company offers two nonqualified defined contribution plans: the Director's Deferred Compensation Plan and the Salary Continuation Plan. Currently the Company only offers deferred compensation to its Board of Directors under the Director's Deferred Compensation Plan as more fully described under "Director Compensation in 2010" above in this Proxy Statement. The Company does not offer deferred compensation to the Named Executive Officers at this time. During 2010, our CEO, which is the sole participant in our Salary Continuation Plan did not withdraw any amounts from the Salary Continuation Plan.

Salary Continuation Plan

In 2006, the Bank implemented a non-qualified supplemental retirement plan for our CEO. Because the Salary Continuation Plan is an unfunded plan, the Company is under no obligation to fund the Salary Continuation Plan. The Salary Continuation Plan, as outlined in the Salary Continuation Agreement between the Bank and our CEO, provides for the annual benefit of \$150,000 for our CEO, which is to be paid out in twelve (12) equal monthly installments commencing on the first day of the month following normal retirement at age 62. The annual benefit shall be distributed to the CEO for fifteen (15) years.

The amount expensed in 2010 under the Salary Continuation Plan amounted to an aggregate of \$70,984, of which \$66,098 was for Mr. Gardner. As of December 31, 2010, \$389,092 was recorded in other liabilities on the consolidated statements of condition for this Salary Continuation Plan. The Salary Continuation Plan was accounted for in accordance with SFAS No. 158 as of December 31, 2010.

2010 NONQUALIFIED SALARY CONTINUATION PLAN

Name	Aggregate Balance at Fiscal Year-End Prior to Last Fiscal Year-End (\$)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year-End (\$)
Steven R. Gardner President and Chief Executive Officer	215,441	66,098	-	-	281,539

Long-Term Care Insurance Plan

In September 2006, the Bank implemented the Long-Term Care Insurance Plan for the Named Executive Officers and non-employee directors of the Bank. The non-employee directors may elect not to participate in the insurance plan. For those who opt out, the amount of the insurance premium, up to \$4,000 annually, is recorded each month to their deferred compensation account with interest. The expense for the Long-Term Care Insurance Plan in 2010, for the Named Executive Officers and Directors, was \$29,233.

2010 LONG-TERM CARE INSURANCE

Name	Premiums Paid and/or Contributions to by Registrant (\$)
Kenneth A. Boudreau	5,357
John D. Goddard	4,000
David L. Hardin	3,907
Jeff C. Jones	4,000
Michael L. McKennon	4,000
Ronald G. Skipper	4,000
	25,264

Total	
Directors	
Steven R. Gardner	2,502
Eddie Wilcox	1,467
Kent Smith	-
Mike Karr	-
Total	
Named Executives	3,969
Total	
Long-Term Care Insurance	29,233

Potential Payments Made Upon Termination or a Change-in-Control

As described in “Employment Arrangements” under “Compensation Discussion and Analysis” above in this Proxy Statement, all of our Named Executive Officers are party to an employment agreement with us, which provides the executives with benefits in the event of certain terminations of employment. In addition, Mr. Gardner, our CEO, is a party to a Salary Continuation Agreement, which also provides him with benefits in the event of certain terminations of employment.

Employment Agreements

As previously discussed in “Employment Arrangements” under “Compensation Discussion and Analysis” above, on January 1, 2011, we entered into employment agreements with our Named Executive Officers. The following information, however, describes payments due to Messrs. Gardner and Wilcox, who were the only Named Executive Officers that had employment agreements at December 31, 2010 following their termination of employment with us as if it had occurred on December 31, 2010.

Termination for Cause; Resignation without Disability or Good Reason. If an executive is terminated for cause or resigns without disability or good reason, as such terms are defined in the employment agreements, he will receive only his base salary accrued through the date of termination or death. In this event, no special severance benefits are payable.

Termination as a Result of Disability; Death. If an executive is terminated as a result of disability or death during the term of employment, the executive will receive the lesser of (i) his base salary as in effect as of the date of termination, multiplied by one year, or (ii) his base salary for the duration of the term of his employment agreement.

Termination other than for Cause, Disability or Death; Resignation by the Executive Due to Our Material Breach or Following a Change of Control. If (i) an executive is terminated by us other than for cause, disability or his death, or (ii) an executive terminates the employment agreement due to (A) our material breach of the employment agreement, or (B) without his express written consent, (1) a material reduction by us of his functions, duties or responsibilities, (2) a material reduction by us of his base salary, or (3) our requirement that he be based at a location more than 50 miles from Costa Mesa, California, and the termination by the executive occurs within two (2) years following the initial occurrence of the breach or the good cause reason basis for termination, the executive will be entitled to a lump sum cash payment equal to his base salary as in effect immediately prior to the date of termination plus his incentive bonus

for the previous year with respect to Mr. Wilcox, and with respect to Mr. Gardner, that same amount multiplied by three (3) years. Under the terms of Mr. Gardner's employment agreement only, if his employment with us is terminated as described in the previous sentence, then Mr. Gardner is entitled to participate, at no cost to him, in all group insurance, life insurance, health and accident, disability and other employee benefit plans, programs and arrangements in which he was entitled to participate immediately prior to the date of termination (other than any of our stock option or other stock compensation plans or bonus plans), for a period ending at the earlier of (i) the third anniversary of the date of termination, and (ii) the date of his full-time employment by another employer, provided that in the event Mr. Gardner's participation in any such plan, program or arrangement is barred, we must arrange to provide him with benefits substantially similar to those he was entitled to receive under such plans, programs and arrangements prior to the date of termination.

In receiving any of the foregoing payments, the Named Executive Officers are not obligated to seek other employment or to mitigate in any way the amounts payable to them as set forth above, and such amounts will not be reduced or terminated whether or not an executive obtains other employment.

Each employment agreement also provides that the severance payments and benefits will be modified or reduced by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable being subject to an excise tax under the "golden parachute" provisions under Section 280G of the Internal Revenue Code or subject to the excise tax imposed under Section 4999 of the Internal Revenue Code.

Restrictive Covenants

The employment agreements require each executive to refrain from soliciting employees of the Company for a two-year period after termination of employment. The agreements limit the executives' ability to disclose or use any of the Company's confidential information, trade secrets or business opportunities.

Salary Continuation Agreements

The following describes the potential payments required pursuant to the Salary Continuation Agreement that we entered into with our Mr. Gardner on April 1, 2006, which is still in effect, in the event of his termination or a change of control.

Early Termination other than due to Change in Control, Death, Disability or for Cause. In the event of an early termination of Mr. Gardner's employment agreement, which termination results other than from a change in control, disability or cause, as such terms are defined in the Salary Continuation Agreements, Mr. Gardner will receive one hundred percent (100%) of the accrual balance, as defined in the Salary Continuation Agreement, determined as of the end of the month preceding the termination payable in twelve (12) equal monthly installments for a period of fifteen (15) years.

Disability Benefit. In the event Mr. Gardner's employment is terminated due to disability, Mr. Gardner will receive one hundred percent (100%) of the accrual balance determined as of the end of the month preceding the termination payable in twelve (12) equal monthly installments for a period of fifteen (15) years.

Change in Control Benefit. Upon a change of control, followed within twelve (12) months by a termination of the Mr. Gardner's employment agreement, Mr. Gardner will receive a lump sum amount equal to the present value of the stream of one hundred eighty (180) monthly payments of \$12,500 each; provided that, in the event this amount is subject to federal excise taxes under the "golden parachute" provisions under Section 280G of the Internal Revenue Code, the payments will be reduced or delayed to the extent it would not be an excess parachute payment.

Death Benefit. In the event Mr. Gardner dies while employed by us, his beneficiary will receive a lump sum amount equal to the present value of the stream of one hundred eighty (180) monthly payments of \$12,500.

Summary of Potential Termination Payments

The following table reflects the value of termination payments and benefits that each of Messrs. Gardner and Wilcox, who were our Named Executive Officers that had employment agreements as of December 31, 2010, would receive under their employment agreements and the termination payments and benefits that Mr. Gardner would receive under the Salary Continuation Agreement, as applicable, which was in place on December 31, 2010, if they had terminated employment on December 31, 2010 under the circumstances shown. The table does not include accrued salary and benefits, or certain amounts that the Messrs. Gardner and Wilcox would be entitled to receive under certain plans or arrangements that do not discriminate in scope, terms or operation, in favor of our executive officers and that are generally available to all salaried employees. The table also does not include disclosure based on the January 2011 employment agreement entered into with our Named Executive Officers.

Officer	Severance (\$)	Insurance Benefits (\$)	Salary Continuation Plan (\$)	Equity Accelerated Vesting (\$)	Total (\$)
Mr. Gardner					
Termination for Cause or Resignation without Disability or Good Reason	-	-	281,539 (5)	-	281,539
Death	375,000 (1)	1,500,000	1,488,700 (4)	16,979 (8)	3,380,679
Disability	375,000 (1)	36,000	281,539 (5)	16,979 (8)	709,518
Retirement	-	-	2,250,000 (6)	16,979 (8)	2,266,979
Change of Control	-	-	-	-	-
Termination without Cause, or Resignation Due to Our Material Breach	1,631,250 (2)	30,163 (3)	281,539 (5)	-	1,942,952
Termination in connection with a Change in Control	1,631,250 (2)	30,163 (3)	1,778,932 (7)	-	3,440,345
Mr. Wilcox					
Termination for Cause or Resignation without Disability or Good Reason	-	-	-	-	-
Death	215,000 (1)	-	-	8,489 (8)	223,489
Disability	215,000 (1)	-	-	8,489 (8)	223,489
Retirement	-	-	-	8,489 (8)	8,489
Change of Control	-	-	-	-	-
Termination without Cause, or	271,750 (2)	&			

Resignation Due to Our
Material Breach