

PACWEST BANCORP
Form 11-K
October 09, 2009

Table of Contents

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

FORM 11-K

ý **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008 or

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to .
Commission File No. 00-11337**

A. FULL TITLE OF THE PLAN AND THE ADDRESS OF THE PLAN, IF DIFFERENT FROM THAT OF THE ISSUER NAMED BELOW:

**Community National Bank
401(k) Profit Sharing Plan**

**PacWest Bancorp
120 Wilshire Blvd.
Santa Monica, California 90401**

B. NAME OF THE ISSUER OF THE SECURITIES HELD PURSUANT TO THE PLAN AND THE ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICE:

**PacWest Bancorp
401 West "A" Street
San Diego, California 92101**

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Index

| | Page |
|---|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>1</u> |
| <u>Statements of Net Assets Available for Benefits December 31, 2008 (Liquidation Basis) and 2007 (Liquidation Basis)</u> | <u>2</u> |
| <u>Statement of Changes in Net Assets Available for Benefits Year ended December 31, 2008 (Liquidation Basis)</u> | <u>3</u> |
| <u>Notes to Financial Statements</u> | <u>4</u> |
| Supplemental Schedule | |
| <u>Schedule H, Line 4i Schedule of Assets (Held at Year End) December 31, 2008</u> | <u>8</u> |

All other schedules are omitted because they are not required or applicable pursuant to the Employee Retirement Income Security Act of 1974 (ERISA) and Department of Labor regulations.

Table of Contents

Report of Independent Registered Public Accounting Firm

The 401K Committee
Community National Bank 401(k) Profit Sharing Plan

We have audited the accompanying statements of net assets available for plan benefits of the Community National Bank 401(k) Profit Sharing Plan (The "Plan") as of December 31, 2008 (liquidation basis) and December 31, 2007 (liquidation basis) and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2008 (liquidation basis). These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits as of December 31, 2008 (liquidation basis) and December 31, 2007 (liquidation basis), and the related changes in net assets available for plan benefits for the year ended December 31, 2008 (liquidation basis) in conformity with accounting principles generally accepted in the United States of America.

On October 26, 2006, as discussed in Note 1(b) to the accompanying financial statements, Community National Bancorp ("CNB"), parent of Community National Bank ("Bank"), approved an Agreement and Plan of Merger with PacWest Bancorp, formerly known as First Community Bancorp, which provided for the acquisition of CNB. An application for termination was filed with the Internal Revenue Services on May 15, 2007. A favorable determination letter was received on March 5, 2008. Subsequent to May 5, 2008, PacWest Bancorp began the distribution process. Participant balances were distributed to participant IRA accounts or the participant's current Plan. In accordance with accounting principles generally accepted in the United States of America, the Plan changed its basis of accounting effective May 5, 2008, used to determine the amounts at which investments are stated from the ongoing plan basis to the liquidation basis.

/s/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

Newport Beach, California
October 8, 2009

See accompanying notes to financial statements.

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Statements of Net Assets Available for Benefits (Liquidation Basis)

December 31, 2008 and 2007

| | 2008 | 2007 |
|--|-----------------------------------|------------------|
| | (Dollars in thousands) | |
| Investments at fair value: | | |
| Common stock | \$ 43 | \$ 5,266 |
| Deposits with Principal Life Insurance Company: | | |
| Pooled separate accounts, at fair value | | 5,721 |
| Guaranteed interest accounts, at fair value | | 199 |
| Participant loans | | 200 |
| Net assets available for benefits | \$ 43 | \$ 11,386 |

See accompanying notes to financial statements.

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Statement of Changes in Net Assets Available for Benefits (Liquidation Basis)

Year ended December 31, 2008

| | (Dollars in thousands) |
|--|-----------------------------------|
| Additions (deductions) to net assets attributable to: | |
| Investment income (loss): | |
| Interest and dividends | \$ 50 |
| Net depreciation in fair value of investments | (2,534) |
| Other income | 1 |
| Total investment loss | (2,483) |
| Deductions from net assets attributable to: | |
| Benefits paid/distributions to participants | 8,855 |
| Administrative expenses | 5 |
| Total deductions | 8,860 |
| Decrease in net assets | (11,343) |
| Net assets available for benefits: | |
| Beginning of the year | 11,386 |
| End of the year | \$ 43 |

See accompanying notes to financial statements.

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Notes to Financial Statements (Liquidation Basis)

December 31, 2008 and 2007

(1) Description of the Plan

The following description of the Community National Bank 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

(a) General

The Plan was a defined contribution plan which provides retirement benefits for eligible employees of Community National Bank and its subsidiaries (the "Company") that elected to participate in the Plan. Community National Bancorp and its subsidiary Community National Bank were acquired by PacWest Bancorp, formerly known as First Community Bancorp, on October 26, 2006, upon which all assets of the plan were frozen. As successor to Community National Bancorp, the Plan is administered by PacWest Bancorp. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

(b) Plan Termination

On September 30, 2006 the Board of Directors of Community Bancorp, Inc., the Plan sponsor, approved the termination of the Plan. An application for termination was filed with the Internal Revenue Service on May 15, 2007. Subsequent to September 30, 2006, no contributions, loan payments or new loans have been allowed into and out of the Plan, and no distributions or rollovers were allowed subsequent to September 30, 2006 and until May 5, 2008, the date the determination letter was received. Shortly after receipt of the determination letter, the Plan began the distribution process. Participant balances are to be distributed to participant IRA accounts or the participant's current employer's plan. The majority of the balances have been distributed as of December 31, 2008.

(c) Contributions

No participant contributions were received by the Plan in 2008 or 2007.

(d) Participant Accounts

Each participant account was credited with the participant's contributions, allocations of the Company's matching contribution and earnings or losses. Earnings of the various funds are allocated to the participant balances according to the ratio that a participant's account balance or shares held in a given fund bears to the total of all account balances or shares held in the fund.

(e) Vesting

Participant contributions were immediately fully vested. Participants became fully vested in their matching contributions effective with the acquisition of Community Bancorp, Inc.

(f) Benefit Payments

A participant may have received a distribution of his or her entire vested accrued benefit only upon the participant's termination of employment. While employed, a participant may receive a distribution of his or her rollover account and employee contribution deferrals for reason of financial hardship, in accordance with Plan provisions. The Plan substantially distributed all of the Plan assets to

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Notes to Financial Statements (Liquidation Basis) (Continued)

December 31, 2008 and 2007

(1) Description of the Plan (Continued)

the participants and there was approximately \$43.1 thousand remaining to be distributed to participants as of December 31, 2008.

(g) Participant Loans

Loans to participants were repaid upon their termination of employment and there were no participant loans at December 31, 2008.

(2) Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Plan have been prepared on the liquidation basis of accounting in accordance with principles generally accepted in the United States of America ("GAAP") as of December 31, 2008 and December 31, 2007 and for the years then ended.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the statements of net assets available for benefits, additions and deductions in the statements of changes in net assets available for benefits, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(c) Investment Valuation and Investment Income

The Plan's investments were maintained in pooled separate accounts and within a group annuity contract. The investments in pooled separate accounts were valued at the assets value of the underlying investments based on quoted market prices. The Guaranteed interest accounts were valued at fair value and consist of contributions and reinvested income, less any withdrawals plus accrued interest. Participant loans were valued at the outstanding loan balance. All investment values were considered to materially approximate the liquidation basis of accounting.

The Plan also had investments in PacWest Bancorp common stock in 2008 and 2007. These shares are valued at quoted market prices on a trade-date basis.

Appreciation (depreciation) in fair value of investments is the realized gain (loss) on disposition of investments plus the unrealized increase (decrease) in fair value of investments held from the beginning of the plan year or date of purchase, whichever is later. Purchases and sales of securities are recorded on a trade-date basis. Interest income and dividends are recorded on the date received.

(d) Payment of Participant Benefits

Participant benefits are recorded when paid.

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Notes to Financial Statements (Liquidation Basis) (Continued)

December 31, 2008 and 2007

(2) Significant Accounting Policies (Continued)*(e) Administrative Expenses*

Administrative expenses of the Plan may be paid by the Plan sponsor or the assets of the Plan. Such expenses include, but are not limited to expenses for bonding required by ERISA, recordkeeping and other administrative services, and fees and expenses of the custodian.

(f) Risks and Uncertainties

The Plan provided for various investment options in money market funds, mutual funds, common stocks, corporate debt, and government securities. Investment securities were exposed to various risks such as interest rate, market, and credit.

(3) Investments

The following table presents the fair value of investments as of December 31, 2008 and 2007, with individual investments representing 5% or more of the Plan's net assets available for benefits separately identified:

| Investment | 2008 | 2007 |
|---|---------------------------|---------|
| | (Dollars in thousands) | |
| PacWest Bancorp common stock | \$43 | \$5,266 |
| Principal money market separate account | \$ | \$1,215 |
| Principal diversified international market separate | \$ | \$ 724 |

During the year ended December 31, 2008, the Plan's investments (including investment securities bought, sold and held during the year) depreciated as follows:

| Investment | 2008 |
|--|---------------------------|
| | (Dollars in thousands) |
| PacWest Bancorp common stock | \$ (2,303) |
| Principal managed pooled separate accounts | (231) |
| Total | \$ (2,534) |

(4) Fair Value Measurements

As of January 1, 2008, the Plan adopted the provisions of SFAS No. 157 for its investments. SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets or liabilities; Level 2, inputs other than level one that are either directly or indirectly observable such as quoted prices for identical or similar assets or liabilities on markets that are not active; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The following is a description of the

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Notes to Financial Statements (Liquidation Basis) (Continued)

December 31, 2008 and 2007

(4) Fair Value Measurements (Continued)

valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Common stock

Common stock held in participant-directed brokerage accounts are stated at fair value as quoted on a recognized securities exchange and are valued at the last reported sales price on the last business day of the Plan year and are classified as Level 1 investments.

The Plan's asset at fair value as of December 31, 2008 was \$43.1 thousand in common stock, which was classified as a Level 1 investment.

(5) Party-in-interest Transactions

The Plan invests in units of pooled separate accounts managed by Principal Life Insurance Company, the custodian as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for administrative services amounted to approximately \$5,000 for the year ended December 31, 2008.

The Plan's investment in the PacWest Bancorp's common stock amounted \$43.1 thousand and \$5.3 million at December 31, 2008 and 2007, respectively. The Plan held 1,603 and 127,692 shares of the PacWest Bancorp common stock as of December 31, 2008 and 2007. Such investments represented 100% and 46% of the Plan's net assets available for benefits at December 31, 2008 and 2007, respectively.

(6) Tax Status

The IRS has determined and informed the Company by letters dated March 5, 2008 that the Plan and related trust were designed in accordance with applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the IRS determination letter; however, the Company and the Plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code and the Plan and related trust continue to be tax- exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements. The Plan received a favorable determination letter during the year ended December 31, 2008 (See Note 1(b), under Plan Termination).

Table of Contents

**COMMUNITY NATIONAL BANK
401(k) PROFIT SHARING PLAN**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2008 (Liquidation Basis)

(Dollars in Thousands)

Employer Number: 33-0885320

Plan Number: 001

| (a) Identity of issuer, borrower, lessor or similar party | (b) Description of Investment | (c) Current Value (In thousands) |
|---|----------------------------------|--|
| *PacWest Bancorp | PacWest Bancorp common stock | \$ 43 |

*

Represents a party-in-interest.

See accompanying report of independent registered public accounting firm.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 9, 2009

Community National Bank
401(k) Profit Sharing Plan
/s/ JEFFREY T. KRUMPOCH

Jeffrey T. Krumpoch
Authorized Signer
401(k) Plan Committee

9
