

FIRST PACTRUST BANCORP INC
Form DEF 14A
March 20, 2007
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SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

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

FIRST PACTRUST BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
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- .. Fee paid previously with preliminary materials.

- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

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March 19, 2007

Dear Fellow Shareholder:

On behalf of the Board of Directors and management of First PacTrust Bancorp, Inc., we cordially invite you to attend the Annual Meeting of Shareholders of the Company. The meeting will be held at 9:00 a.m., local time, on Wednesday, April 18, 2007 at the Bonita Golf Club, located at 5540 Sweetwater Road, Bonita, California. The Annual Meeting will include management's report to you on the Company's 2006 financial and operating performance.

An important aspect of the Annual Meeting process is the shareholder vote on corporate business items. I urge you to exercise your rights as a shareholder to vote and participate in this process. Shareholders are being asked to consider and vote upon the election of two directors of the Company.

Whether or not you plan to attend the Annual Meeting, please read the enclosed proxy statement and then complete, sign and date the enclosed proxy card and return it in the accompanying postpaid return envelope as promptly as possible. This will save the Company additional expense in soliciting proxies and will ensure that your shares are represented at the meeting.

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

Very truly yours,

Hans R. Ganz

Chief Executive Officer

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FIRST PACTRUST BANCORP, INC.

610 Bay Boulevard

Chula Vista, California 91910

(619) 691-1519

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD WEDNESDAY, APRIL 18, 2007

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

TIME	9:00 a.m. local time
DATE	Wednesday, April 18, 2007
PLACE	5540 Sweetwater Road, Bonita, California
ITEMS OF BUSINESS	(1) To elect two directors, each for a term of three years. (2) To transact any other business that may properly come before the meeting and any adjournment or postponement of the meeting.
RECORD DATE	Holders of record of the Company's common stock at the close of business on March 9, 2007 will be entitled to vote at the meeting or any adjournment of the meeting.
ANNUAL REPORT	The Company's Annual Report to Shareholders is enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the enclosed proxy card. Regardless of the number of shares you own, your vote is very important. Please act today.

BY ORDER OF THE BOARD OF DIRECTORS

HANS R. GANZ

Chief Executive Officer

Chula Vista, California

March 19, 2007

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FIRST PACTRUST BANCORP, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

April 18, 2007

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FIRST PACTRUST BANCORP, INC.

610 Bay Boulevard

Chula Vista, California 91910

(619) 691-1519

PROXY STATEMENT

INTRODUCTION

The Board of Directors of First PacTrust Bancorp, Inc. is using this proxy statement to solicit proxies from the holders of the Company's common stock for use at the upcoming Annual Meeting of Shareholders. The meeting will be held on Wednesday, April 18, 2007 at 9:00 a.m., local time, at the Bonita Golf Club, located at 5540 Sweetwater Road, Bonita, California. At the meeting, shareholders will be asked to vote on one proposal: the election of two directors of the Company, each to serve for a term of three years. This proposal is described in more detail below. Shareholders also will consider any other matters that may properly come before the meeting, although the Board of Directors knows of no other business to be presented. Some of the information in this proxy statement relates to Pacific Trust Bank, a wholly owned subsidiary of the Company. Pacific Trust Bank may be referred to from time to time in this proxy statement as the Bank.

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

The Company's Annual Report to Shareholders for the fiscal year ended December 31, 2006, which includes the Company's audited financial statements, is enclosed. Although the Annual Report is being mailed to shareholders with this proxy statement, it does not constitute a part of the proxy solicitation materials and is not incorporated into this proxy statement by reference.

This proxy statement and the accompanying materials are being mailed to shareholders on or about March 19, 2007.

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

INFORMATION ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

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

Proposal 1. Election of two directors of the Company, each for a term of three years.

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

Who is entitled to vote?

The record date for the meeting is March 9, 2007. Only shareholders of record at the close of business on that date are entitled to notice of and to vote at the meeting. The only class of stock entitled to be voted at the meeting is the Company's common stock. Each outstanding share of common stock is entitled to one vote on each matter presented at the meeting. At the close of business on the record date, there were 4,405,754 shares of common stock outstanding.

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

If your shares are held in street name by a broker, your broker is required to vote your shares in accordance with your instructions. If you do not give instructions to your broker, your broker will nevertheless be entitled to vote your shares with respect to discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items. In the case of non-discretionary items, your shares will be treated as broker non-votes. Whether an item is discretionary is determined by the exchange rules governing your broker. The only proposal described in this proxy statement is considered a discretionary item under the Nasdaq Stock Market rules.

What if my shares are held in the Company's Employee Stock Ownership Plan?

If you are a participant in the Company's Employee Stock Ownership Plan, the plan trustee is required to vote the shares allocated to your account under the plan in accordance with your instructions. If you do not instruct the trustee how to vote your allocated shares, the trustee may vote your allocated shares in its sole discretion. The trustee must vote the unallocated shares in the same proportion as it is instructed to vote the allocated shares. For example, if on a particular proposal the trustee was instructed to vote 60% of the allocated shares FOR, 35% of the allocated shares AGAINST and 5% of the allocated shares ABSTAIN, the trustee would vote 60% of the unallocated shares FOR, 35% of the unallocated shares AGAINST and 5% of the unallocated shares ABSTAIN.

How many shares must be present to hold the meeting?

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

What if a quorum is not present at the meeting?

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

How do I vote?

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

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2. ***You may vote in person at the meeting.*** If you plan to attend the annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. Note, however, that if your shares are held in the name of your broker, bank or other nominee, you will need to obtain a proxy from the holder of your shares indicating that you were the beneficial owner of those shares on March 9, 2007, the record date for voting at the meeting. You are encouraged to vote by proxy prior to the meeting even if you plan to attend the meeting.

Can I change my vote after I submit my proxy?

Yes, you may revoke your proxy and change your vote at any time before the polls close at the meeting by:

signing another proxy with a later date;

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

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

How does the Board of Directors recommend I vote on the proposals?

Your Board of Directors recommends that you vote:

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

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

If you submit an executed proxy but do not indicate any voting instructions, your shares will be voted:

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

Will any other business be conducted at the meeting?

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

How many votes are required to elect the director nominees?

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

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

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

How will abstentions be treated?

If you abstain from voting, your shares will still be included for purposes of determining whether a quorum is present. Because directors will be elected by a plurality of the votes cast, abstaining is not offered as a voting option for Proposal 1.

How will broker non-votes be treated?

Shares treated as broker non-votes on one or more proposals will be included for purposes of calculating the presence of a quorum but will not be counted as votes cast. Consequently, broker non-votes will have no effect on Proposal 1. If, as expected, Proposal 1 is considered a discretionary item, there will be no broker non-votes on this proposal.

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STOCK OWNERSHIP

Stock Ownership of Significant Shareholders, Directors and Executive Officers

The following table shows, as of March 9, 2007, the beneficial ownership of the Company's common stock by:

any persons or entities known by management to beneficially own more than five percent of the outstanding shares of Company common stock;

each director and director nominee of the Company;

each executive officer of the Company and the Bank named in the Summary Compensation Table appearing below; and

all of the executive officers and directors of the Company and the Bank as a group.

The address of each of the beneficial owners, except where otherwise indicated, is the same address as the Company's. As of March 9, 2007, there were 4,405,754 shares of Company common stock issued and outstanding.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to outstanding options held by that person that are currently exercisable or exercisable within 60 days after March 9, 2007 are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

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<u>Name of Beneficial Owner</u>	<u>Beneficial Ownership</u>	<u>Percent of Common Stock Outstanding</u>
<i>Significant Shareholders</i>		
Investors of America Limited Partnership	521,980	11.85%
First Capital America, Inc.		
James F. Dierberg, Trustee of the James F. Dierberg Living Trust		
James F. Dierberg II		
135 North Meramec		
Clayton, Missouri 63105(1)		
First Manhattan Co.	297,346	6.75%
437 Madison Avenue		
New York, NY 10022(2)		
Seymour Holtzman	303,493	6.89%
Evelyn Holtzman		
Jewelcor Management, Inc.		
S.H. Holdings, Inc.		
Jewelcor Inc.		
Holtzman Opportunity Fund, L.P.		
SH Independence LLC		
Holtzman Financial Advisors, LLC		
Jewelcor Investments, LLC		
c/o Jewelcor Companies		
100 N. Wilkes Barre Blvd.		
Wilkes Barre, PA 18702(3)		
First PacTrust Bancorp, Inc. 401(k) Employee Stock Ownership Plan	452,349	10.27%
610 Bay Boulevard		
Chula Vista, CA 91910(4)		
<i>Directors and Named Executive Officers(5)</i>		

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Alvin L. Majors, Chairman of the Board	75,116	1.70%
Hans R. Ganz, President, Chief Executive Officer and Director	211,472	4.69%
Francis P. Burke, Director	72,116	1.63%
Kenneth W. Scholz, Director	72,116	1.63%
Donald M. Purdy, Director	72,116	1.63%
Donald A. Whitacre, Director	64,950	1.47%
James P. Sheehy, Executive Vice President, Secretary and Treasurer	73,913	1.67%
Melanie M. Stewart, Executive Vice President, Lending	94,067	2.12%
Regan J. Lauer, Senior Vice President, Controller	38,235	0.86%
Lisa R. Goodwin, Senior Vice President Information Services	47,904	1.08%
Rachel M. Carrillo, Senior Vice President Branch Operations	43,502	0.98%
Directors and executive officers of First PacTrust Bancorp, Inc. as a group (11 persons)(6)	865,507	18.34%

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- (1) As reported by Investors of America Limited Partnership, First Capital America, Inc., James F. Dierberg, Trustee, and James F. Dierberg II in an amendment to Schedule 13D dated June 19, 2003. Investors of America Limited Partnership reported sole voting and investment power over 206,000 shares. First Capital America, Inc. reported sole voting and investment power over 268,000 shares. James F. Dierberg, Trustee, reported sole voting and investment power over 43,680 shares and James F. Dierberg II reported sole voting and investment power over 4,300 shares.
 - (2) As reported by First Manhattan Co. in an amended Schedule 13G dated February 12, 2007. First Manhattan Co. reported sole voting power over 273,900 shares, shared voting power over 6,500 shares, sole investment power over 273,900 shares and shared investment power over 23,446 shares.
 - (3) The above information regarding beneficial ownership by Seymour Holtzman, Evelyn Holtzman, Jewelcor Management, Inc., S.H. Holdings, Inc. and Jewelcor Inc. is reported by them in an amendment to Schedule 13D

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dated February 2, 2007. Seymour Holtzman reported sole voting and sole dispositive power over 303,493 shares and shared voting and shared dispositive power over 0 shares. Evelyn Holtzman reported sole voting and sole dispositive power over 0 shares and shared voting and shared dispositive power over 0 shares. Jewelcor Management, Inc. reported sole voting and sole dispositive power over 274,793 shares and shared voting and shared dispositive power over 0 shares. S.H. Holdings, Inc. reported sole voting and sole dispositive power over 0 shares and shared voting and shared dispositive power over 0 shares. Jewelcor Inc. reported sole voting and sole dispositive power over 0 shares and shared voting and shared dispositive power over 0 shares. Holtzman Opportunity Fund, L.P. reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares. SH Independence, LLC reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares. Holtzman Financial Advisors, LLC reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares. Jewelcor Investments, LLC reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares.

- (4) The amount reported represents shares held by the 401(k) employee stock ownership plan (KSOP), 240,749 of which have been allocated to the accounts of participants. National Trust Management Services, Inc., the trustee of the employee stock ownership plan, may be deemed to beneficially own the shares held by the employee stock ownership plan portion of the KSOP.
- (5) Includes shares held directly, as well as shares held jointly with certain family members, shares held in retirement accounts, held in a fiduciary capacity, held by certain of the individual s or group members families, or held by trusts of which the individual or group member is a trustee or substantial beneficiary, with respect to which shares the individual or group member may be deemed to have sole or shared voting and/or investment powers. Included in the shares beneficially owned by the listed individuals are currently exercisable options to purchase shares of First PacTrust Bancorp common stock as follows:

Mr. Majors - 19,870	Mr. Scholz - 19,870	Mr. Sheehy - 30,000	Ms. Goodwin - 20,200
Mr. Ganz - 99,350	Mr. Purdy - 19,870	Ms. Stewart - 32,000	Ms. Carrillo - 15,998
Mr. Burke - 19,870	Mr. Whitacre - 19,870	Ms. Lauer - 15,498	

- (6) This amount includes 312,396 shares of common stock subject to currently exercisable options held by directors and executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

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

To the Company s knowledge, based solely on its review of the copies of these reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2006, all Section 16(a) filing requirements applicable to the Company s executive officers and directors during fiscal 2006 were met.

PROPOSAL 1 ELECTION OF DIRECTORS

General

The Company s Board of Directors consists of six directors divided into three classes. Directors in each class are elected to serve for three-year terms that expire in successive years. The term of one of the classes of the Company s directors will expire at the annual meeting.

Nominees

The Company has nominated Alvin L. Majors and Donald A. Whitacre for election as directors for three-year terms expiring at the annual meeting of shareholders to be held in 2010. Messrs. Majors and Whitacre currently serve as directors of the Company and the Bank. The nominees have each consented to being named in

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

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

The following tables set forth, with respect to each nominee and each continuing director, his or her name and age, the year in which he or she first became a director of the Bank, and his or her principal occupation and business experience during the past five years. All the individuals listed below have served as a director of the Company since its formation in 2002.

Nominees for Election as Directors for Three-Year**Terms Expiring at the 2010 Annual Meeting**

Director, Year First Became		
Director of Company(1)	Age(2)	Principal Occupation and Business Experience
Alvin L. Majors, 1985	66	Mr. Majors is currently retired. Prior to his retirement, he was employed by Rohr, Inc. for 26 years, with his last title being Vice President and Controller. Prior to joining Rohr, Inc., Mr. Majors worked for Deloitte for five years.
Donald A. Whitacre, 2001	53	Mr. Whitacre is Chief Executive Officer of D.A. Whitacre Construction, Inc., a commercial framing construction company located in El Cajon, California. He has operated this company since 1978.

Directors Continuing in Office**Terms Expiring at the 2008 Annual Meeting**

Francis P. Burke, 1994	67	Mr. Burke is currently retired. He retired from Rohr, Inc. as Vice President of Airline Support in 1997 after over 20 years of service in various positions, including Vice President, System Management, Program Manager, and Director, G.E./CFMI Programs, and with Rohr Marine, Inc. as Vice President and Surface Effect Ship Program Manager. He previously served six years as Executive Vice President of RMI, Inc., responsible for Business Development, Programs & Technology and Operations.
Kenneth W. Scholz, 1998	57	Mr. Scholz is Finance Director of Goodrich Aerostructures, an aerospace manufacturing company located in Chula Vista, California. He has served in this capacity since 1997, and in various other capacities for Goodrich Aerostructures since 1974.

Terms Expiring at the 2009 Annual Meeting

Hans R. Ganz, 2000	52	Mr. Ganz has been President and Chief Executive Officer of Pacific Trust Bank, and its predecessor since 1995, and a Director since 2000. He has been employed with Pacific Trust Bank and its predecessor in various other capacities since 1992.
Donald M. Purdy, 1998	75	Mr. Purdy is currently retired. He served as Senior Vice President - Commercial Business for Rohr, Inc., Chula Vista, CA, from 1989 to 1994, and was employed by Rohr, Inc. in various capacities for a period of 43 years.

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- (1) Includes service as a director of Pacific Trust Bank and its predecessor.
 - (2) As of March 9, 2007.

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**BOARD OF DIRECTORS MEETINGS AND
COMMITTEE AND CORPORATE GOVERNANCE MATTERS**

Board Meetings, Independence and Ethics Code

Meetings of the Company's Board of Directors are generally held on a monthly basis. The Company's Board of Directors held ten meetings and two special meetings during the fiscal year ended December 31, 2006. All directors of the Company attended more than 75 percent of the aggregate of the total number of Board meetings. The Company's general policy is for all directors to attend its annual meeting of stockholders, and every director but one attended last year's annual meeting.

The Board has determined that Directors Majors, Burke, Purdy, Scholz and Whitacre, constituting a majority of the Board members, are independent directors, as that term is defined in the Nasdaq listing standards. Stockholders may communicate directly with the Board of Directors by sending written communications to the Alvin L. Majors, Chairman of the Board of the Company, 610 Bay Boulevard, Chula Vista, California, 91910.

The Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees. You may obtain a copy of the Code free of charge by writing to the Corporate Secretary of the Company, 610 Bay Boulevard, Chula Vista, California, 91910 or by calling (619) 691-1519. In addition, the Code of Business Conduct and Ethics has been filed with the SEC as Exhibit 14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and is available on our website at www.firstpactrustbancorp.com at Governance Documents.

Board Committee Attendance and Charters

The Board of Directors of the Company has standing Executive, Audit, Nominating and Compensation Committees. All members of these committees attended more than 75 percent of the total number of meetings held by the committees on which he or she served.

The Board of Directors has adopted written charters for the Audit Committee, the Compensation Committee and the Nominating Committee. The charters for the Audit Committee, Compensation Committee and the Nominating Committee are available on our website at www.firstpactrustbancorp.com at Governance Documents. You also may obtain a copy of these committee charters free of charge by writing to the Corporate Secretary of the Company, 610 Bay Boulevard, Chula Vista, California, 91910 or by calling (619) 691-1519.

Executive Committee

The Executive Committee is comprised of Directors Majors, Burke, Purdy and Ganz. The Executive Committee meets on an as needed basis and is empowered to act on behalf of the entire board. This committee did not meet in 2006.

Audit Committee

The Audit Committee is comprised of Directors Majors, Scholz and Whitacre, all of whom are independent directors under the Nasdaq listing standards. The Board of Directors has determined that Directors Majors and Scholz are audit committee financial experts as defined in Item 401(h) of Regulation S-K of the Securities and Exchange Commission and that all of the Audit Committee members meet the independence and financial literacy requirements under the Nasdaq listing standards. In 2006, this Committee met four times. This committee is responsible for hiring, terminating and/or reappointing the Company's registered public accounting firm and for reviewing the annual audit report prepared by our registered public accounting firm. The functions of the Audit Committee also include:

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

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

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

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

ensuring the existence of effective accounting and internal control systems, and

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

Nominating Committee

The Nominating Committee is composed of Directors Scholz, Burke and Purdy. The committee is primarily responsible for selecting nominees for election to the board. The Nominating Committee generally meets once per year to make nominations. The Nominating Committee will consider nominees recommended by shareholders in accordance with the procedures in the Company's bylaws, but the Nominating Committee has not actively solicited such nominations.

The Nominating Committee has the following responsibilities:

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

(ii) recommend candidates (including incumbents) for election and appointment to the Board of Directors, subject to the provisions set forth in the Company's certificate of incorporation and bylaws relating to the nomination or appointment of directors, based on the following criteria: business experience, education, integrity and reputation, independence, conflicts of interest, diversity, age, number of other directorships and commitments (including charitable obligations), tenure on the Board, attendance at Board and committee meetings, stock ownership, specialized knowledge (such as an understanding of banking, accounting, marketing, finance, regulation and public policy) and a commitment to the Company's communities and shared values, as well as overall experience in the context of the needs of the Board as a whole;

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

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

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

Nominations, other than those made by the Nominating Committee, must be made pursuant to timely notice in writing to the Corporate Secretary as set forth in Article I, Section 1 of the Company's bylaws. In general, to be timely, a shareholder's notice must be received by the Company not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; however, if less than 100 days' notice of the date of the scheduled annual meeting is given by the Company, the shareholder has until the close of business on the tenth day following the day on which notice of the date of the scheduled annual meeting was made. The shareholder's notice must include the information set forth in Article I, Section 1 of the Company's bylaws, which includes the following:

(i) as to each person whom a shareholder proposes to nominate for election as a director:

all information relating to the proposed nominee that is required to be disclosed in the solicitation of proxies for election as directors or is otherwise required pursuant to Regulation 14A under the Securities Exchange Act of 1934.

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(ii) as to the shareholder giving the notice:

name and address of the shareholder as they appear on the Company's books;

number of shares of the Company's common stock beneficially owned by the shareholder.

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

As stated above, during fiscal 2006 the Nominating Committee met one time with respect to selection of director nominees.

Compensation Committee

The Compensation Committee is currently comprised of three independent directors, including Directors Majors, Purdy and Burke. This committee administers the Company's 2003 Stock Option and Incentive Plan and the 2003 Recognition and Retention Plan and reviews overall compensation policies for the Company. Since the Company does not pay any salaries to its officers or employees, all compensation matters, except for stock-based compensation awards, are addressed by Pacific Trust Bank's Board of Directors Compensation Committee. The Company's Compensation Committee met twice during fiscal 2006.

The Compensation Committee of the Bank is comprised of the same directors and is responsible for:

(i) determining compensation to be paid to its officers and employees, which are based on the recommendation of President Ganz, except that compensation paid to executive officers is determined based on the recommendation of a majority of the independent directors. President Ganz is not present during voting or deliberations concerning his compensation;

(ii) overseeing the administration of the employee benefit plans covering employees generally, and

(iii) reviewing the compensation policies.

Compensation Committee Interlocks and Insider Participation

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

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REPORT OF THE COMPENSATION COMMITTEE

The information contained in this report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that First PacTrust Bancorp specifically incorporates it by reference in such filing

In evaluating executive officer pay, the Compensation Committee may retain the services of a compensation consultant or utilize published compensation surveys, and considers recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The Compensation Committee assesses the information it receives in accordance with its business judgment. The Compensation Committee also periodically reviews director compensation.