

PACWEST BANCORP  
Form S-4/A  
May 20, 2015

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As filed with the Securities and Exchange Commission on May 19, 2015

Registration No. 333-203573

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

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Amendment No. 1  
to

**FORM S-4**

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**PACWEST BANCORP**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**6021**  
(Primary Standard Industrial  
Classification Code Number)  
**10250 Constellation Blvd., Suite 1640**  
**Los Angeles, California 90067**  
**(310) 286-1144**

(Address, including Zip Code, and Telephone Number, including  
Area Code, of Registrant's Principal Executive Offices)

**33-0885320**  
(I.R.S. Employer  
Identification Number)

**Kori L. Ogrosky**  
**Executive Vice President and General Counsel**  
**10250 Constellation Blvd., Suite 1640**  
**Los Angeles, California 90067**  
**(310) 286-1144**  
(Address, including Zip Code, and Telephone Number,  
including Area Code, of Agent for Service)

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**Approximate date of commencement of proposed sale of the securities to the public:  
As soon as practicable after this registration statement becomes effective and upon completion of the merger.**

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

If applicable, place an  in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**Information contained herein is subject to completion or amendment. A registration statement relating to the shares of PacWest Bancorp common stock to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY PROXY STATEMENT/PROSPECTUS  
DATED May 19, 2015, SUBJECT TO COMPLETION**

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Square 1 Financial, Inc., a Delaware corporation ("Square 1"), which we will hold at [ ], on [ ], 2015, at [ ], local time. At the special meeting, holders of our Class A common stock, par value \$0.01, will be asked to approve the agreement and plan of merger by and between PacWest Bancorp ("PacWest") and Square 1, dated as of March 1, 2015 (the "merger agreement"), pursuant to which Square 1 will merge with and into PacWest, with PacWest as the surviving corporation (the "merger"). At the effective time of the merger, each share of Square 1 common stock, excluding certain specified shares, will be converted into the right to receive 0.5997 of a share of PacWest common stock, par value \$0.01 per share, with cash paid in lieu of fractional shares of PacWest common stock.

**The board of directors of Square 1 (the "board") has determined that the merger agreement and the transactions contemplated therein, including the merger, are fair to and in the best interests of Square 1 and its stockholders, and approved and declared advisable the merger agreement and the transactions contemplated therein, including the merger. The board recommends that the Class A common stockholders of Square 1 vote "FOR" the proposal to adopt the merger agreement.**

**The market value of the merger consideration will fluctuate with the price of PacWest common stock. Based on the closing price of PacWest common stock on February 27, 2015, the last trading day before the public announcement of the signing of the merger agreement, the value of the per share merger consideration payable to holders of Square 1 common stock was \$27.49. Based on the closing price of PacWest common stock on [ ], 2015, the last practicable date before the date of this document, the value of the per share merger consideration payable to holders of Square 1 common stock was \$[ ]. You should obtain current stock price quotations for Square 1 common stock and PacWest common stock. Square 1 common stock is traded on NASDAQ under the symbol "SQBK" and PacWest common stock is traded on NASDAQ under the symbol "PACW."**

Based on the current number of shares of Square 1 common stock outstanding, PacWest currently expects to issue approximately [ ] shares upon completion of the merger. However, an increase or decrease in the number of outstanding shares of Square 1 common stock prior to completion of the merger could cause the actual number of shares issued upon completion of the merger to change.

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, referred to as the Internal Revenue Code. Assuming the merger qualifies as a reorganization, a stockholder of Square 1 generally will not recognize any gain or loss upon receipt of PacWest common stock in exchange for Square 1 common stock in the merger (except with respect to any cash received in lieu of a fractional share of PacWest common stock, as discussed in this proxy statement/prospectus).

At the special meeting, Class A common stockholders will also be asked to vote on a proposal to approve the adjournment of the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement. **The board recommends that the Class A common stockholders of Square 1 vote "FOR" this proposal.**

**Your vote is very important. To ensure your representation at the special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet. Whether or not you expect to attend the special meeting, please vote promptly. Submitting a proxy now will not prevent you from being able to vote in person at the special meeting.**

If you hold your shares in "street name" through a broker, bank or other nominee you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the proposal to adopt the merger agreement.

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This document provides you with detailed information about the proposed merger. You are encouraged to read this document carefully. **In particular, you should read the "Risk Factors" section beginning on page 26 for a discussion of the risks you should consider in evaluating the proposed merger and how it will affect you.**

Thank you for your continued support.

Sincerely,

Douglas H. Bowers  
*President and Chief Executive Officer*  
*of Square 1 Financial, Inc.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger, the issuance of the PacWest common stock in connection with the merger or the other transactions described in this document, or passed upon the adequacy or accuracy of the disclosures in this document.**

**The securities to be issued in connection with the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

If you have any questions or need assistance in voting your shares, please call Square 1 Investor Relations at (919) 314-3125.

This document is dated [            ], 2015 and is first being mailed to stockholders of Square 1 on or about [            ], 2015.

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**WHERE YOU CAN FIND MORE INFORMATION**

Both PacWest and Square 1 file annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission, referred to as the SEC. You may read and copy any materials that either PacWest or Square 1 files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 or (800) 732-0330 for further information on the public reference room. In addition, PacWest and Square 1 file reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at <http://www.sec.gov> containing this information. You will also be able to obtain these documents, free of charge, from PacWest at [www.pacwestbancorp.com](http://www.pacwestbancorp.com) under the "Public Filings" link or from Square 1 at [www.square1financial.com](http://www.square1financial.com) under the "About Us" tab and then under the heading "Investor Relations."

PacWest has filed a registration statement on Form S-4 of which this document forms a part. As permitted by SEC rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits, at the addresses set forth below. Statements contained in this document as to the contents of any contract or other documents referred to in this document are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement. This document incorporates by reference documents that PacWest and Square 1 have previously filed with the SEC. They contain important information about the companies and their financial condition. For further information, please see the section entitled "Incorporation of Certain Documents by Reference." These documents are available without charge to you upon written or oral request to the applicable company's principal executive offices. The respective addresses and telephone numbers of such principal executive offices are listed below.

PacWest Bancorp  
10250 Constellation Blvd., Suite 1640  
Los Angeles, California 90067  
Attention: Investor Relations  
(310) 286-1144

Square 1 Financial, Inc.  
406 Blackwell Street, Suite 240  
Durham, North Carolina 27701  
Attention: Investor Relations  
(919) 314-3125

To obtain timely delivery of these documents, you must request the information no later than [ ], 2015 in order to receive them before Square 1's special meeting of stockholders.

PacWest common stock is traded on the NASDAQ Global Select Market under the symbol "PACW," and Square 1 common stock is traded on NASDAQ Global Select Market under the symbol "SQBK."

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**SQUARE 1 FINANCIAL, INC.**

**406 BLACKWELL STREET, SUITE 240  
DURHAM, NORTH CAROLINA 27701**

**NOTICE OF THE SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON [ ], 2015**

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Square 1 Financial, Inc., referred to as Square 1, will be held at [ ], at [ ], local time, on [ ], 2015 for the following purposes:

1. To adopt the Agreement and Plan of Merger, dated as of March 1, 2015, by and between Square 1 and PacWest Bancorp, as such agreement may be amended from time to time, referred to as the merger agreement, a copy of which is attached as Appendix A, referred to as the merger proposal;
2. To approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the merger proposal, referred to as the adjournment proposal; and
3. To act upon other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the board.

The above proposals are described in more detail in this document, which you should read carefully and in its entirety before you vote.

The Square 1 board of directors has set [ ], 2015 as the record date for the special meeting. Only holders of record of Square 1 Class A common stock at the close of business on [ ], 2015 will be entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. Any stockholder entitled to attend and vote at the special meeting is entitled to appoint a proxy to attend and vote on such stockholder's behalf. Such proxy need not be a holder of Square 1 common stock.

**Your vote is very important. To ensure your representation at the special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet. Please vote promptly whether or not you expect to attend the special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the special meeting.**

**The Square 1 board of directors has approved the merger agreement and the transactions contemplated thereby and recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal.**

BY ORDER OF THE BOARD OF DIRECTORS

Beth Reeves

*Corporate Secretary*

Durham, North Carolina  
[ ], 2015

**PLEASE VOTE YOUR SHARES OF SQUARE 1 CLASS A COMMON STOCK PROMPTLY. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD. IF YOU HAVE QUESTIONS ABOUT THE PROPOSALS OR ABOUT VOTING YOUR SHARES, PLEASE CALL SQUARE 1 INVESTOR RELATIONS AT (919) 314-3125.**

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

*The following are answers to certain questions that you may have regarding the special meeting of Square 1 stockholders. You should carefully read the remainder of this document because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the appendices to, and the documents incorporated by reference in, this document.*

**Q: WHAT IS THE MERGER?**

A. PacWest and Square 1 have entered into a merger agreement, pursuant to which and subject to the terms and conditions of the merger agreement, Square 1 will merge with and into PacWest, with PacWest continuing as the surviving corporation, which transaction is referred to as the merger. A copy of the merger agreement is attached as Appendix A to this document. Immediately following the merger, Square 1 Bank, a wholly owned subsidiary of Square 1, will merge with and into Pacific Western Bank, a wholly owned subsidiary of PacWest, with Pacific Western Bank continuing as the surviving bank, which transaction is referred to as the bank merger. In order to complete these transactions, the Square 1 stockholders must adopt the merger agreement, and the applicable banking regulators must approve both mergers.

**Q: WHY AM I RECEIVING THIS PROXY STATEMENT/PROSPECTUS?**

A. Square 1 is sending these materials to its stockholders to help them decide how to vote their shares of Square 1 Class A common stock with respect to the merger agreement and other matters to be considered at the special meeting.

The merger cannot be completed unless Square 1 Class A common stockholders adopt the merger agreement. Square 1 is holding a special meeting of its stockholders to vote on the proposal to adopt the merger agreement as well as other related matters. Information about this special meeting, the merger and the other business to be considered by stockholders at the special meeting is contained in this document.

This document constitutes both a proxy statement of Square 1 and a prospectus of PacWest. It is a proxy statement because the Square 1 board of directors is soliciting proxies from Square 1 Class A common stockholders using this document with respect to the matters to be considered at the special meeting. It is a prospectus because PacWest, in connection with the merger, is offering shares of its common stock in exchange for outstanding shares of Square 1 common stock in the merger.

**Q: WHAT WILL SQUARE 1 STOCKHOLDERS RECEIVE IN THE MERGER?**

A: In the merger, each share of Square 1 common stock owned by a Square 1 stockholder will be converted into the right to receive 0.5997 of a share of PacWest common stock. For each fractional share that would otherwise be issued, PacWest will pay cash in an amount equal to the fraction of a share of PacWest common stock which the holder would otherwise be entitled to receive multiplied by the average closing price of PacWest common stock as quoted on the NASDAQ Global Select Market, referred to as NASDAQ, over the 15 consecutive trading days ending on the second full trading day prior to the receipt of the last of the regulatory approvals from the Board of Governors of the Federal Reserve System, referred to as the Federal Reserve Board, the Federal Deposit Insurance Corporation, referred to as the FDIC, the California Department of Business Oversight, referred to as the CDBO, and the Commissioner of Banks of the State of North Carolina, referred to as the CBNC, which are necessary to consummate the merger and the bank merger. This 15 consecutive trading day average is referred to as the PacWest Average

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Closing Price. No interest will be paid or accrue on cash payable to holders in lieu of fractional shares.

**Q: WILL THE VALUE OF THE MERGER CONSIDERATION CHANGE BETWEEN THE DATE OF THIS DOCUMENT AND THE TIME THE MERGER IS COMPLETED?**

A: Yes. Although the number of shares of PacWest common stock that Square 1 stockholders will receive in the merger is fixed, the value of the merger consideration will fluctuate between the date of this document and the completion of the merger based upon the market value of PacWest common stock. Any fluctuation in the market price of PacWest common stock after the date of this document will change the value of the shares of PacWest common stock that Square 1 stockholders will receive.

**Q: WHAT HAPPENS TO SQUARE 1 EQUITY AWARDS IN THE MERGER?**

A: *Square 1 Stock Options.* At the effective time of the merger, referred to as the effective time, each outstanding option to acquire shares of Square 1 common stock under Square 1's stock plan, referred to as a Square 1 stock option, whether vested or unvested, will be cancelled and will entitle the holder of such option to receive an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such option and (ii) the excess, if any, of (A) the product of (1) the PacWest Average Closing Price and (2) 0.5997 over (B) the exercise price per share of Square 1 common stock underlying such option, less any applicable taxes to be withheld with respect to such payment.

*Square 1 RSUs.* At the effective time, each outstanding Square 1 restricted stock unit, referred to as a Square 1 RSU, issued under Square 1's stock plan will be cancelled and will entitle the holder to receive an amount in cash equal to the product of (i) the number of shares of Square 1 common stock subject to such Square 1 RSU and (ii) the product of (A) the PacWest Average Closing Price and (B) 0.5997, less any applicable taxes to be withheld with respect to such payment.

**Q: WHEN WILL THE MERGER BE COMPLETED?**

A: PacWest and Square 1 are working to complete the merger as soon as practicable. The parties are seeking regulatory approval by the fourth quarter of 2015, with the consummation of the merger to occur as soon as practicable thereafter. Neither PacWest nor Square 1 can predict, however, the actual date on which the merger will be completed because it is subject to factors beyond each company's control, including whether or when the required regulatory approvals and the Square 1 stockholder approval will be received. For further information, please see the section entitled "The Merger Agreement Conditions to Consummation of the Merger."

**Q: WHO IS ENTITLED TO VOTE?**

A: Holders of record of Square 1 Class A common stock at the close of business on [ ], 2015, which is the date that the Square 1 board of directors has fixed as the record date for the special meeting, are entitled to vote at the special meeting. Holders of shares of non-voting Square 1 Class B common stock are not entitled to vote at the special meeting.

**Q: WHAT CONSTITUTES A QUORUM?**

A: The representation of holders of at least a majority of the votes entitled to be cast on the matters to be voted on at the special meeting constitutes a quorum for transacting business at the special meeting. All shares of Square 1 Class A common stock, whether present in person or represented

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by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the special meeting.

**Q: WHAT AM I BEING ASKED TO VOTE ON AND WHY IS THIS APPROVAL NECESSARY?**

A: Square 1 Class A common stockholders are being asked to vote on the following proposals:

1. to adopt the Agreement and Plan of Merger, dated as of March 1, 2015, by and between Square 1 and PacWest Bancorp, as such agreement may be amended from time to time, referred to as the merger agreement, a copy of which is attached as Appendix A, referred to as the merger proposal;
2. to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the merger proposal, referred to as the adjournment proposal; and
3. to act upon other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the Square 1 board of directors.

Stockholder approval of the merger proposal, referred to as the Square 1 stockholder approval, is required to complete the merger. Square 1 will transact no business other than as listed above at the special meeting.

**Q: WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL AT THE SPECIAL MEETING?**

A: *The Merger Proposal:* The affirmative vote of a majority of the outstanding shares of Square 1 Class A common stock entitled to vote on the proposal is required to approve the merger proposal.

*The Adjournment Proposal:* The affirmative vote of a majority of the votes cast at the special meeting is required to approve the adjournment proposal.

**Q: ARE THERE ANY VOTING AGREEMENTS WITH EXISTING STOCKHOLDERS?**

A: Yes. In connection with the merger agreement, Patriot Financial Partners, L.P., Castle Creek Capital Partners IV, L.P., Endicott Opportunity Partners III, L.P. and Northaven Management, Inc. (and certain affiliates thereof), in their capacities as stockholders of Square 1, have separately entered into voting agreements with PacWest, the form of which is attached as Appendix B, in which they have agreed to vote all shares of Square 1 common stock that they own and have the power to vote in favor of the merger proposal and any other matter that is required to be approved by the stockholders of Square 1 to facilitate the transactions contemplated by the merger agreement. As of the close of business on the record date, these stockholders beneficially owned, in the aggregate, [ ] shares of Square 1 Class A common stock, allowing them to exercise approximately [ ]% of the voting power of Square 1 common stock.

**Q: WHAT DOES THE SQUARE 1 BOARD OF DIRECTORS RECOMMEND?**

A: The Square 1 board of directors recommends that Square 1 stockholders vote "FOR" the merger proposal and "FOR" the adjournment proposal.

**Q: WHAT DO I NEED TO DO NOW?**

A:

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After carefully reading and considering the information contained in this document, please vote your shares of Square 1 Class A common stock as soon as possible so that such shares will be represented at the special meeting. Please follow the instructions set forth on the proxy card or on

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the voting instruction form provided by the record holder if your shares of Square 1 Class A common stock are held in the name of your broker, bank or other nominee.

**Q:**  
**HOW DO I VOTE?**

**A:**  
If you are a Square 1 Class A common stockholder of record as of the close of business on the record date, you may submit your proxy before the special meeting in one of the following ways:

use the toll-free number shown on your proxy card;

visit the website shown on your proxy card to vote via the Internet; or

complete, sign, date and return the enclosed proxy card in the enclosed postage-paid envelope.

You may also cast your vote in person at the special meeting.

If your shares of Square 1 Class A common stock are held in "street name," through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting such shares. "Street name" stockholders who wish to vote at the meeting will need to obtain a proxy form from their broker, bank or other nominee.

**Q:**  
**HOW MANY VOTES DO I HAVE?**

**A:**  
You are entitled to one vote for each share of Square 1 Class A common stock that you owned as of the close of business on the record date. As of the close of business on the record date, there were approximately [ ] outstanding shares of Square 1 Class A common stock entitled to vote. As of that date, approximately [ ]% of such outstanding shares of Square 1 Class A common stock were beneficially owned by the directors and executive officers of Square 1 and their affiliates.

**Q:**  
**WHEN AND WHERE IS THE SPECIAL MEETING?**

**A:**  
The special meeting will be held at [ ] at [ ], local time, on [ ], 2015. Subject to space availability, all Square 1 Class A common stockholders as of the close of business on the record date, or their duly appointed proxies, may attend the special meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at [ ], local time.

**Q:**  
**IF MY SHARES ARE HELD IN "STREET NAME" BY A BROKER, BANK OR OTHER NOMINEE, WILL MY BROKER, BANK OR OTHER NOMINEE VOTE MY SHARES FOR ME?**

**A:**  
If your shares of Square 1 Class A common stock are held in "street name" in a stock brokerage account or by a bank or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your broker, bank or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Square 1 or by voting in person at the special meeting unless you provide a "legal proxy," which you must obtain from your broker, bank or other nominee.

Brokers who hold shares in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on "routine" proposals when they have not received instructions from beneficial owners. However, brokers are not allowed to exercise their voting discretion with respect to the approval of matters that are "non-routine" without specific instructions from the beneficial owner. It is expected that all proposals to be voted on at the special meeting are such "non-routine" matters. Broker non-votes occur

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when a broker or nominee is not instructed by the beneficial owner of shares to vote on a particular proposal for which the broker does not have discretionary voting power.

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If you are a Square 1 Class A common stockholder and you do not instruct your broker, bank or other nominee on how to vote your shares:

your broker, bank or other nominee may not vote your shares on the merger proposal, which broker non-votes will have the same effect as a vote "AGAINST" such proposal; and

your broker, bank or other nominee may not vote your shares on the adjournment proposal, which broker non-votes will have no effect on the vote count for such proposal.

**Q: WHAT IF I DO NOT VOTE OR I ABSTAIN?**

A: For purposes of the special meeting, an abstention occurs when a stockholder attends the special meeting, either in person or represented by proxy, but abstains from voting.

For the merger proposal, if a Square 1 Class A common stockholder present in person at the special meeting abstains from voting, or responds by proxy with an "abstain" vote, it will have the same effect as a vote cast "AGAINST" this proposal. If a Square 1 Class A common stockholder is not present in person at the special meeting and does not respond by proxy, it will have the same effect as a vote cast "AGAINST" this proposal.

For the adjournment proposal, if a Square 1 Class A stockholder present in person at the special meeting abstains from voting, or responds by proxy with an "abstain" vote, it will have no effect on the vote count for this proposal. If a Square 1 Class A stockholder is not present in person at the special meeting and does not respond by proxy, it will have no effect on the vote count for this proposal.

**Q: WHAT WILL HAPPEN IF I RETURN MY PROXY OR VOTING INSTRUCTION CARD WITHOUT INDICATING HOW TO VOTE?**

A: If you sign and return your proxy or voting instruction card without indicating how to vote on any particular proposal, the Square 1 Class A common stock represented by your proxy will be voted as recommended by the Square 1 board of directors with respect to each proposal. Unless a Square 1 stockholder checks the box on its proxy card to withhold discretionary authority, the proxyholders may use their discretion to vote on other matters relating to the special meeting.

**Q: MAY I CHANGE MY VOTE AFTER I HAVE DELIVERED MY PROXY OR VOTING INSTRUCTION CARD?**

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You may do this in one of four ways:

first, by sending a notice of revocation to Square 1's corporate secretary at 406 Blackwell Street, Suite 240, Durham, North Carolina 27701, stating that you would like to revoke your proxy;

second, by logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the instructions on the proxy card;

third, by sending a completed proxy card bearing a later date than your original proxy card; or

fourth, by attending the special meeting and voting in person.

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If you choose any of the first three methods, you must take the described action (or, with respect to the third method, Square 1 shall have received the subsequent proxy card) no later than [ ], 2015, at 5:00 p.m. local time, which is the business day immediately prior to the special meeting. If you choose to send a completed proxy card bearing a later date than your original proxy card or a



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notice of revocation, the new proxy card or notice of revocation must be received before the beginning of the special meeting. If you have instructed a bank, broker or other nominee to vote your shares of Square 1 Class A common stock, you must follow the directions you receive from your bank, broker or other nominee in order to change or revoke your vote.

If your shares are held in an account at a broker, bank or other nominee, you should contact your broker, bank or other nominee to change your vote.

**Q: DO I NEED IDENTIFICATION TO ATTEND THE SPECIAL MEETING IN PERSON?**

A: Yes. Please bring proper identification, together with proof that you are a record owner of Square 1 Class A common stock. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement showing that you beneficially owned shares of Square 1 Class A common stock at the close of business on the record date.

**Q: ARE SQUARE 1 STOCKHOLDERS ENTITLED TO APPRAISAL RIGHTS?**

A: No. Under Delaware law, holders of Square 1 common stock will not be entitled to exercise any appraisal or dissenters' rights in connection with any of the proposals being presented to them.

**Q: WHAT ARE THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO SQUARE 1 STOCKHOLDERS?**

A: The merger is intended to qualify, and the obligation of PacWest and Square 1 to complete the merger is conditioned upon the receipt of legal opinions from their respective counsel to the effect that the merger will qualify, as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Assuming the merger qualifies as a reorganization, you generally will not recognize any gain or loss upon receipt of PacWest common stock in exchange for Square 1 common stock in the merger (except for any gain or loss that may result from the receipt of cash in lieu of fractional shares of PacWest common stock that you would otherwise be entitled to receive).

For a more detailed discussion of the material U.S. federal income tax consequences of the transaction, please see the section entitled "Material U.S. Federal Income Tax Consequences of the Merger."

The tax consequences of the merger to any particular stockholder will depend on that stockholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the merger.

**Q: WHAT HAPPENS IF THE MERGER IS NOT COMPLETED?**

A: If the merger is not completed, Square 1 stockholders will not receive any consideration for their shares of Square 1 common stock that otherwise would have been received in connection with the merger. Instead, Square 1 will remain an independent public company and its common stock will continue to be listed and traded on NASDAQ.

**Q: SHOULD SQUARE 1 STOCKHOLDERS SEND IN THEIR STOCK CERTIFICATES NOW?**

A: No. Square 1 stockholders **SHOULD NOT** send in any stock certificates now. If the merger is approved, transmittal materials with instructions for their completion will be provided to Square 1 stockholders under separate cover and the stock certificates should be sent at that time.

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**Q: WHAT SHOULD I DO IF I RECEIVE MORE THAN ONE SET OF VOTING MATERIALS?**

A: Square 1 Class A common stockholders may receive more than one set of voting materials, including multiple copies of this document and multiple proxy cards or voting instruction cards. For example, if you hold shares of Square 1 Class A common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If you are a holder of record of Square 1 Class A common stock and your shares are registered in more than one name, you will receive one or more separate proxy cards or voting instruction cards. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this document to ensure that you vote every share of Square 1 Class A common stock that you own.

**Q: WHOM SHOULD I CONTACT IF I HAVE ANY QUESTIONS ABOUT THE PROXY MATERIALS OR VOTING?**

A: If you are a Square 1 Class A common stockholder and have any questions about the proxy materials or if you need assistance submitting your proxy or voting your shares or need additional copies of this document or the enclosed proxy card, you should contact Square 1 Investor Relations at (919) 314-3125.

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**SUMMARY**

*This summary highlights selected information included in this document and does not contain all of the information that may be important to you. You should read this entire document and its appendices and the other documents to which the parties refer before you decide how to vote with respect to the proposals. In addition, the parties incorporate by reference important business and financial information about Square 1 and PacWest into this document. For a description of this information, please see the section entitled "Incorporation of Certain Documents by Reference." You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled "Where You Can Find More Information" in the forepart of this document. Each item in this summary includes a page reference directing you to a more complete description of that item.*

*Unless the context otherwise requires, throughout this document, "PacWest" refers to PacWest Bancorp, "Square 1" refers to Square 1 Financial, Inc. and "we," "us" and "our" refer collectively to PacWest and Square 1. Also, the parties refer to the proposed merger of Square 1 with and into PacWest as the "merger," the proposed merger of Square 1 Bank with and into Pacific Western Bank as the "bank merger" and the Agreement and Plan of Merger, dated as of March 1, 2015, by and between PacWest and Square 1 as the "merger agreement."*

**The Merger and the Merger Agreement (pages 41 and 72)**

The terms and conditions of the merger are contained in the merger agreement, which is attached to this document as Appendix A. The parties encourage you to read the merger agreement carefully, as it is the legal document that governs the merger.

Under the terms of the merger agreement, Square 1 will merge with and into PacWest, with PacWest being the surviving corporation.

**Merger Consideration (page 73)**

In the merger, each share of Square 1 common stock, par value \$0.01 per share, owned by a Square 1 stockholder will be converted into the right to receive 0.5997 of a share of PacWest common stock, par value \$0.01 per share. For each fractional share that would otherwise be issued, PacWest will pay cash in an amount equal to the fraction of a share of PacWest common stock which the holder would otherwise be entitled to receive multiplied by the PacWest Average Closing Price. No interest will be paid or accrue on cash payable to holders in lieu of fractional shares.

The share price of PacWest common stock will fluctuate, and the value that holders of Square 1 common stock will receive upon consummation of the merger may be different than the value that they would receive if calculated on the date PacWest and Square 1 publicly announced the signing of the merger agreement, on the date that this document is being mailed to Square 1 stockholders, and on the date of the special meeting. Based on the closing price of PacWest common stock on February 27, 2015, the last trading day before the public announcement of the signing of the merger agreement, the value of the per share merger consideration payable to holders of Square 1 common stock was \$27.49. Based on the closing price of PacWest common stock on [ ], 2015, the last practicable date before the date of this document, the value of the per share merger consideration payable to holders of Square 1 common stock was \$[ ].

**Recommendation of the Square 1 Board of Directors (page 46)**

After careful consideration, the Square 1 board of directors recommends that Square 1 stockholders vote "FOR" the merger proposal and "FOR" the adjournment proposal.

Certain stockholders of Square 1 have entered into voting agreements with PacWest, pursuant to which each such stockholder has agreed to vote "FOR" the merger proposal and "FOR" any other

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matter required to be approved by the stockholders of Square 1 to facilitate the transactions contemplated by the merger agreement. For more information regarding the voting agreements, please see the section entitled "The Merger Agreement Voting Agreements."

For a more complete description of Square 1's reasons for the merger and the recommendations of the Square 1 board of directors, please see the section entitled "The Merger Recommendation of the Square 1 Board of Directors and Reasons for the Merger."

**Opinion of Financial Advisor (page 48)**

At the March 1, 2015 meeting at which the board of directors of Square 1 considered and approved the merger agreement, Sandler O'Neill & Partners, L.P., referred to as Sandler O'Neill, delivered to the board its oral opinion, which was subsequently confirmed in writing, that, as of such date, subject to procedures followed, assumptions made, matters considered and qualifications and limitations described in Sandler O'Neill's opinion, the merger consideration was fair to the holders of Square 1 common stock from a financial point of view.

**The full text of Sandler O'Neill's opinion is attached as Appendix C to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. Holders of Square 1 common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion and was necessarily based on financial, economic, market and other conditions as they existed on, and the information made available to Sandler O'Neill as of, that date. The opinion was directed to the board of directors of Square 1 and is directed only to the fairness of the merger consideration to the holders of Square 1 common stock from a financial point of view. It does not address the underlying business decision of Square 1 to engage in the merger or any other aspect of the merger and is not a recommendation to any holder of Square 1 common stock as to how such stockholder should vote at the special meeting with respect to the merger or any other matter.** Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by Square 1's officers, directors or employees, or class of such persons, relative to the per share consideration to be received by Square 1 stockholders.

For further information, please see the section entitled "The Merger Opinion of Square 1's Financial Advisor."

**Square 1 Special Meeting (page 34)**

The special meeting will be held at [ ], local time, on [ ], 2015, at [ ], located at [ ]. At the special meeting, holders of Square 1 Class A common stock will be asked to approve the merger proposal and the adjournment proposal and to act upon other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the Square 1 board of directors.

The Square 1 board of directors has fixed the close of business on [ ], 2015 as the record date for determining the holders of Square 1 Class A common stock entitled to receive notice of and to vote at the special meeting. As of the close of business on the record date, there were [ ] shares of Square 1 Class A common stock outstanding and entitled to vote at the special meeting held by [ ] holders of record. Each share of Square 1 Class A common stock entitles the holder to one vote on each proposal to be considered at the special meeting. As of the close of business on the record date, directors and executive officers of Square 1 and their affiliates owned and were entitled to vote [ ] shares of Square 1 Class A common stock, representing approximately [ ]% of the shares of Square 1 Class A

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common stock outstanding on that date. Certain stockholders of Square 1 have entered into voting agreements with PacWest, pursuant to which they have agreed, solely in their capacity as stockholders of Square 1, to vote all of their shares of Square 1 Class A common stock "FOR" the merger proposal and any other matter required to be approved by the stockholders of Square 1 to facilitate the transactions contemplated by the merger agreement. As of the close of business on the record date, these stockholders beneficially owned, in the aggregate, [ ] shares of Square 1 Class A common stock, allowing them to exercise approximately [ ]% of the voting power of Square 1 common stock. As of close of business on the record date, PacWest beneficially held no shares of Square 1 common stock.

Approval of the merger proposal requires the affirmative vote of a majority of the outstanding shares of Square 1 Class A common stock entitled to vote on such proposal. Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast at the special meeting.

**Square 1's Directors and Executive Officers Have Certain Interests in the Merger (page 63)**

In considering the recommendation of the Square 1 board of directors with respect to the merger, Square 1 Class A common stockholders should be aware that the executive officers and directors of Square 1 have certain interests in the merger that may be different from, or in addition to, the interests of Square 1 stockholders generally. The Square 1 board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated thereby and making its recommendation that Square 1 Class A common stockholders vote to approve the Square 1 merger proposal. These interests include:

outstanding Square 1 stock options and RSUs (including those held by the directors and executive officers) will vest upon consummation of the merger and be settled in cash based on the approximate value of the merger consideration (less, in the case of stock options, the applicable exercise price);

letter agreements between PacWest and each of Douglas Bowers, Samir Bhaumik, Diane Earle, Judith Erwin and Frank Tower provide for certain retention awards and other benefits upon consummation of the merger;

employment agreements between Square 1 and each of Jason Kranack, Patrick Oakes and Gregory Thompson provide for severance benefits upon certain qualifying terminations of employment following the consummation of the merger;

any employee of Square 1 (including executive officers) who experiences a severance qualifying termination of employment following consummation of the merger will be eligible for an annual bonus for 2015, provided that in the event the termination date occurs during 2015, such bonus will be prorated for the portion of 2015 that elapsed prior to the date of termination; and

Square 1's directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement.

We estimate that the aggregate amount that would become payable to Square 1's eight executive officers in settlement of their unvested Square 1 stock options and RSUs, as severance benefits (including a prorated bonus for 2015) and in respect of retention awards due upon the closing of the merger, assuming that the closing of the merger occurred on May 31, 2015 and each executive officer experienced a severance-qualifying termination at such time, is \$14,422,331. In addition, we estimate that the aggregate amount of the retention awards payable to Mr. Bowers, Mr. Bhaumik, Ms. Earle, Ms. Erwin and Mr. Tower in respect of post-closing services is \$3,435,000. We estimate that the aggregate amount that would become payable to Square 1's 11 non-employee directors in settlement of their unvested Square 1 stock options and RSUs is \$679,359. The foregoing amounts do not include certain interests that cannot be quantified at this time, such as continued indemnification and

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compensation that might be paid in respect of continued employment. For a more complete description of these interests, and information regarding how the foregoing amounts were estimated, see "The Merger Interests of Square 1 Directors and Executive Officers in the Merger."

**Treatment of Square 1 Stock Options and Square 1 RSUs (page 41)**

*Square 1 Stock Options.* At the effective time, each outstanding Square 1 stock option, whether vested or unvested, will be cancelled and will entitle the holder of such option to receive an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such option and (ii) the excess, if any, of (A) the product of (1) the PacWest Average Closing Price and (2) 0.5997 over (B) the exercise price per share of Square 1 common stock underlying such option, less any applicable taxes to be withheld with respect to such payment.

*Square 1 RSUs.* At the effective time, each outstanding Square 1 RSU will be cancelled and will entitle the holder to receive an amount in cash equal to the product of (i) the number of shares of Square 1 common stock subject to such Square 1 RSU and (ii) the product of (A) the PacWest Average Closing Price and (B) 0.5997, less any applicable taxes to be withheld with respect to such payment.

**Treatment of Square 1 Warrants (page 42)**

At the effective time, each warrant to purchase shares of Square 1 common stock held by specified individuals to the extent then outstanding and not previously exercised will be cancelled and will only entitle the holder thereof to receive, as soon as reasonably practicable after the effective time, an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such warrants and (ii) the excess, if any, of (A) the product of (1) the PacWest Average Closing Price and (2) 0.5997 over (B) the exercise price per share of Square 1 common stock under such warrants, less any applicable taxes required to be withheld with respect to such payment. As of the date of this document, there were outstanding warrants to purchase [ ] shares of Square 1 common stock. All such warrants expire, if not previously exercised, on July 11, 2015.

**Board of Directors and Officers of PacWest After the Merger (page 63)**

On or prior to the effective time, the PacWest board of directors will increase the number of directors constituting the PacWest board of directors by one and fill such vacancy by a current director of Square 1 selected by Square 1 and reasonably acceptable to PacWest to be effective immediately following the effective time. The officers of PacWest immediately prior to the effective time will be the officers of the surviving corporation until the earlier of their resignation or removal or until their respective successors are duly appointed and qualified.

**Regulatory Approvals Required for the Merger (page 68)**

Completion of the merger and the bank merger are subject to various regulatory approvals, including approvals from the Federal Reserve Board, the FDIC, the CDBO and the CBNC. Notifications and/or applications requesting approval for the merger or for the bank merger may also be submitted to other federal and state regulatory authorities and self-regulatory organizations. The parties have filed notices and applications to obtain the necessary regulatory approvals of the Federal Reserve Board, the FDIC, the CDBO and the CBNC. Although the parties currently believe they should be able to obtain all required regulatory approvals in a timely manner, they cannot be certain when or if they will obtain them or, if obtained, whether they will contain terms, conditions or restrictions not currently contemplated that will be detrimental to or have a material adverse effect on PacWest after the completion of the merger. The regulatory approvals to which completion of the

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merger and bank merger are subject are described in more detail under the section entitled "The Merger Regulatory Approvals Required for the Merger."

### **Conditions to the Merger (page 86)**

The obligations of PacWest and Square 1 to complete the merger are each subject to the satisfaction or waiver of the following conditions:

approval of the merger proposal by the Square 1 stockholders;

no governmental authority of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the merger, the bank merger or the other transactions contemplated by the merger agreement; and

the S-4 registration statement, of which this document is a part, having become effective under the Securities Act of 1933, as amended, referred to as the Securities Act, no stop order suspending the effectiveness of the S-4 registration statement having been issued, and no proceedings for that purpose having been initiated or been threatened, by the SEC.

In addition, the obligation of Square 1 to complete the merger is subject to the satisfaction or waiver of the following conditions:

the accuracy of the representations and warranties of PacWest set forth in the merger agreement, subject to the materiality standards set forth in the merger agreement, as of the date of the merger agreement and as of the closing date of the merger as though made at and as of the closing date (except that representations and warranties that by their terms speak as of the date of the merger agreement or some other date need only be true and correct as of such date), and Square 1's receipt of a certificate signed on behalf of PacWest by an executive officer of PacWest, dated as of the closing date, to such effect;

performance by PacWest in all material respects of all obligations required to be performed by it under the merger agreement at or prior to the effective time, and receipt by Square 1 of a certificate signed by an executive officer of PacWest, dated as of the closing date, to such effect;

receipt by Square 1 of the opinion of its counsel, dated the closing date, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time by either party or any of its respective subsidiaries from the Federal Reserve Board, the FDIC, the CDBO and the CBNC which are necessary to consummate the merger and the bank merger, and any other consents, registrations, approvals, permits and authorizations from or with any governmental authority the failure of which to be obtained is reasonably likely to have, individually or in the aggregate, a material adverse effect on Square 1 or PacWest (measured on a scale relative to Square 1), having been made or obtained (as the case may be) and remaining in full force and effect and all statutory waiting periods in respect thereof having expired; and

since March 1, 2015, no event having occurred or circumstance arisen that, individually or taken together with all other facts, circumstances or events, has had or is reasonably likely to have a material adverse effect with respect to PacWest.

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PacWest's obligation to complete the merger is also subject to the satisfaction or waiver of the following conditions:

the accuracy of the representations and warranties of Square 1 set forth in the merger agreement, subject to the materiality standards set forth in the merger agreement, as of the date of the merger agreement and as of the closing date of the merger as though made at and as of the closing date (except that representations and warranties that by their terms speak as of the date of the merger agreement or some other date need only be true and correct as of such date) and PacWest's receipt of a certificate signed on behalf of Square 1 by an executive officer of Square 1, dated as of the closing date, to such effect;

performance by Square 1 in all material respects of all obligations required to be performed by it under the merger agreement at or prior to the effective time, and receipt by PacWest of a certificate signed by an executive officer of Square 1, dated as of the closing date, to such effect;

all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time by either party or any of its respective subsidiaries from the Federal Reserve Board, the FDIC, the CDBO and the CBNC which are necessary to consummate the merger and the bank merger, all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time from any governmental authority that are required for the operation of Square 1's trust business and any other consents, registrations, approvals, permits and authorizations from or with any governmental authority the failure of which to be obtained is reasonably likely to have, individually or in the aggregate, a material adverse effect on Square 1 or PacWest (measured on a scale relative to Square 1), having been made or obtained (as the case may be) and remaining in full force and effect and all statutory waiting periods in respect thereof having expired, and none of such consents, registrations, approvals, permits and authorizations containing any materially burdensome regulatory condition;

as of the last business day of the month reflected in the closing financial statements, the adjusted Square 1 stockholders' equity (defined below) will not be less than \$302,704,000 as determined in accordance with GAAP; "adjusted Square 1 stockholders' equity" means the consolidated equity of Square 1 as set forth in the closing financial statements, minus any unrealized gains or plus any unrealized losses in Square 1's securities portfolio due to mark-to-market adjustments as of the last business day of the month reflected in the closing financial statements, and adding the sum of (i) all amounts paid or accrued in connection with certain actions taken to conform certain policies and practices to those of PacWest to the extent that such actions were not necessary to bring Square 1 into conformity with GAAP or any applicable law of any governmental authority, (ii) all fees and expenses of all attorneys, accountants, investment bankers and other advisors and agents for Square 1 for services rendered solely in connection with the transactions contemplated by the merger agreement paid by Square 1 prior to the effective time and which do not exceed in the aggregate \$11,000,000 (exclusive of reasonable costs incurred or advanced by such advisors) and (iii) any amounts payable by Square 1 in connection with the cancellation of Square 1's equity awards pursuant to the merger agreement, and any costs associated with the termination of employee benefit plans or programs (inclusive of any severance compensation paid or to be paid as provided in the merger agreement) or any retention bonuses paid in accordance with the merger agreement, and any costs incurred in connection with the termination of Square 1's contracts pursuant to the merger agreement;

receipt by PacWest of the opinion of its counsel, dated the closing date, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;



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since March 1, 2015, no event having occurred or circumstance arisen that, individually or taken together with all other facts, has had or is reasonably likely to have a material adverse effect with respect to Square 1; and

receipt by PacWest of a certificate certifying that interests in Square 1 are not U.S. real property interests under the Internal Revenue Code.

**No Solicitation (page 84)**

Under the terms of the merger agreement, Square 1 has agreed not to initiate, solicit, encourage or otherwise facilitate any inquiries or the making of any proposal or offer with respect to, or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to, any acquisition proposal. Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances, in response to an unsolicited bona fide written acquisition proposal from a third party, if the Square 1 board of directors determines in good faith (after consultation with its outside legal counsel) that the failure to take such action would reasonably be expected to violate the Square 1 directors' fiduciary duties under applicable law, Square 1 may (i) execute a confidentiality agreement with such third party to provide confidential information or (ii) engage in discussions or negotiations with such third party. The merger agreement also provides that, under specified circumstances, in response to an unsolicited bona fide written acquisition proposal if the Square 1 board of directors determines in good faith (i) after consultation with its financial advisors, that such proposal is a superior proposal and (ii) after consultation with outside legal counsel, that the failure to change its recommendation to the Square 1 stockholders to adopt the merger agreement would result in a violation of the Square 1 board of directors' fiduciary duties under applicable law, the Square 1 board of directors may change its recommendation to the Square 1 stockholders that the Square 1 stockholders adopt the merger agreement.

**Termination of the Merger Agreement (page 88)**

PacWest and Square 1 may mutually agree at any time to terminate the merger agreement without completing the merger, even if the Square 1 stockholders have adopted the merger agreement.

The merger agreement may also be terminated and the merger may be abandoned:

at any time prior to the effective time, whether before or after the Square 1 stockholder approval, by action of the board of directors of either party, in the event that the merger is not consummated by March 31, 2016, except to the extent that the failure of the merger to be consummated results from the knowing action or inaction of the party seeking to terminate, which action or inaction is in violation of its obligations under the merger agreement;

at any time prior to the effective time, whether before or after the Square 1 stockholder approval, by action of the board of directors of either party if:

the approval of any governmental authority required for consummation of the merger, the bank merger or the other transactions contemplated by the merger agreement has been denied by final and nonappealable action of such governmental authority, or an application therefor has been permanently withdrawn by mutual agreement of the parties at the request or suggestion of a governmental authority; or

the Square 1 stockholder approval is not obtained at the duly convened special meeting;

at any time prior to the effective time, whether before or after the Square 1 stockholder approval, by action of either party's board if there has been a breach of any representation, warranty, covenant or agreement made by the other party, such that if continuing on the closing date of the merger, the condition as to the accuracy of the representations and warranties or the



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compliance with covenants by the other party would not be satisfied and such breach or condition is not curable or, if curable, is not cured within 30 days after written notice thereof is given by the terminating party (or such shorter period as remaining prior to March 31, 2016); provided, that the terminating party is not then in material breach of any representation, warranty, covenant or agreement;

by action of PacWest's board of directors at any time prior to the Square 1 stockholder approval, in the event:

Square 1 has breached in any material respect the prohibitions in the merger agreement relating to acquisition proposals;

the Square 1 board of directors has effected a change of recommendation;

at any time after the end of 15 business days following receipt of an acquisition proposal, the Square 1 board of directors has failed to reaffirm its recommendation that Square 1 stockholders adopt the merger agreement as promptly as practicable (but in any event within five business days) after receipt of any written request to do so by PacWest; or

a tender offer or exchange offer for outstanding shares of Square 1 common stock has been publicly disclosed (other than by PacWest or an affiliate of PacWest) and the Square 1 board of directors recommends that Square 1 stockholders tender their shares in such tender or exchange offer or, within 10 business days after the commencement of such tender or exchange offer, the Square 1 board of directors fails to recommend unequivocally against acceptance of such offer.

For more information, please see the section entitled "The Merger Agreement Termination of the Merger Agreement."

**Termination Fee (page 89)**

Square 1 must pay PacWest a termination fee of \$32.5 million in the following circumstances:

PacWest terminates the merger agreement because: (i) Square 1 has breached in any material respect its obligations relating to acquisition proposals under the merger agreement, (ii) the Square 1 board of directors has changed its recommendation, (iii) any time after the end of 15 business days following receipt of an acquisition proposal, the Square 1 board of directors has failed to reaffirm its recommendation after receipt of a written request from PacWest, or (iv) a tender offer or exchange offer for outstanding shares of Square 1 common stock has been publicly disclosed and the Square 1 board of directors recommends that the Square 1 stockholders tender their shares or, within ten business days after the commencement of such tender or exchange offer, the Square 1 board of directors fails to recommend unequivocally against acceptance of such an offer; or

(1) (a) an acquisition proposal has been made to Square 1 or its stockholders generally or (b) any person has publicly announced an intention to make an acquisition proposal with respect to Square 1, (2) thereafter the merger agreement is terminated by either party because (a) the merger was not consummated on or before March 31, 2016 and the Square 1 stockholder approval has not been obtained or (b) the Square 1 stockholder approval was not obtained at the special meeting, and (3) within 12 months after the termination of the merger agreement, Square 1 enters into a definitive agreement with respect to or consummates certain acquisition proposals.

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**Voting Agreements (page 89)**

Patriot Financial Partners, L.P., Castle Creek Capital Partners IV, L.P., Endicott Opportunity Partners III, L.P. and Northaven Management, Inc. (and certain affiliates thereof), in their capacities as stockholders of Square 1, have separately entered into voting agreements with PacWest in which they have agreed to vote all shares of Square 1 common stock that they own and have the power to vote in favor of the merger proposal and any other matter that is required to be approved by the stockholders of Square 1 to facilitate the transactions contemplated by the merger agreement. These stockholders also agreed to vote against any proposal made in opposition to adoption of the merger agreement or in competition with the merger agreement and against any acquisition proposal. As of the close of business on the record date, these stockholders beneficially owned, in the aggregate, [ ] shares of Square 1 Class A common stock, allowing them to exercise approximately [ ]% of the voting power of Square 1 common stock (which does not include shares issuable upon the exercise of stock options that were not outstanding as of the close of business on the record date).

The voting agreements terminate in certain circumstances, including in the event that the merger agreement is terminated in accordance with its terms.

For more information, please see the section entitled "The Merger Agreement Voting Agreements."

**Material U.S. Federal Income Tax Consequences of the Merger (page 91)**

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Assuming the merger qualifies as a reorganization, a stockholder of Square 1 generally will not recognize any gain or loss upon receipt of PacWest common stock in exchange for Square 1 common stock in the merger (except for any gain or loss that may result from the receipt of cash in lieu of fractional shares of PacWest common stock that the stockholder of Square 1 would otherwise be entitled to receive). It is a condition to the completion of the merger that PacWest and Square 1 receive written opinions from their respective counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Tax matters are complicated and the tax consequences of the merger to each Square 1 stockholder may depend on such stockholder's particular facts and circumstances. Square 1 stockholders are urged to consult their tax advisors to understand fully the tax consequences to them of the merger. For more information, please see the section entitled "Material U.S. Federal Income Tax Consequences of the Merger."

**Litigation Related to the Merger (page 90)**

Three putative stockholder class action lawsuits, referred to as the merger litigation, have been filed in connection with the merger agreement. The first action, *Manganaro v. Burke et al.*, Case No. 10817-VCL, was filed on March 20, 2015 in the Court of Chancery of the State of Delaware. This action alleged, among other things, that the members of the Square 1 board of directors breached their fiduciary duties to Square 1 stockholders, and was voluntarily dismissed without prejudice on May 5, 2015.

Two more actions were filed in the United States District Court for the Middle District of North Carolina: (1) *Lakowitz v. Bowers et al.*, Case No. 1:15-CV-371, filed on May 6, 2015; and (2) *Li v. Bowers et al.*, Case No. 1:15-CV-373, filed on May 7, 2015. Both complaints allege, on behalf of a putative class of Square 1 stockholders, that the members of the Square 1 board of directors breached their fiduciary duties to Square 1 stockholders by approving the proposed merger for inadequate consideration; approving the transaction in order to obtain benefits not equally shared by other Square 1 stockholders; engaging a conflicted financial advisor; entering into the merger agreement containing

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preclusive deal protection devices; and causing a materially deficient and misleading Registration Statement to be filed and disseminated to stockholders. The complaints also allege claims against PacWest and Square 1 for aiding and abetting these alleged breaches of fiduciary duties. The plaintiffs in both actions also bring claims in their individual capacities against Square 1 and the members of the Square 1 board of directors for alleged violations of Sections 14(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and against the members of the Square 1 board of directors for alleged violations of Section 20(a) of the Exchange Act, based upon alleged omissions and misrepresentations in the Registration Statement. The plaintiffs in these actions seek injunctive relief prohibiting consummation of the merger, rescission and damages in the event the merger is consummated, an accounting of damages suffered by the plaintiffs and the putative class, attorneys' fees and costs, and other and further relief. At this stage, it is not possible to predict the outcome of the proceedings or their impact on Square 1, PacWest or the merger.

**Comparison of Stockholders' Rights (page 94)**

The rights of Square 1 stockholders who continue as PacWest stockholders after the merger will be governed by the certificate of incorporation and bylaws of PacWest rather than by the certificate of incorporation and bylaws of Square 1. For more information, please see the section entitled "Comparison of Stockholders' Rights."

**The Parties (page 39)**

PacWest Bancorp  
10250 Constellation Blvd., Suite 1640  
Los Angeles, California 90067  
Phone: (310) 286-1144

PacWest Bancorp, a Delaware corporation, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. PacWest's principal business is to serve as the holding company for PacWest's wholly owned subsidiary, Pacific Western Bank. Pacific Western Bank is focused on relationship-based business banking to small and middle-market businesses nationwide. PacWest offers a broad range of deposit products and services through 80 full-service branches located throughout California. PacWest, through offices across the United States, provides loans to middle-market businesses, real estate investment firms, and sophisticated individual real estate investors.

As of March 31 2015, PacWest had total assets of \$16.6 billion, gross loans and leases of \$12.3 billion, total deposits of \$11.9 billion and stockholders' equity of \$3.5 billion. PacWest's corporate headquarters is located in Los Angeles, California, and PacWest has 80 full-service, retail bank branches located primarily in southern and central California and three branches in northern California. PacWest's loan origination efforts are conducted nationwide with key offices located in Chevy Chase, Maryland, Southern California, including Los Angeles, St. Louis, Missouri, Denver, Colorado, Chicago, Illinois, New York, New York, and Midvale, Utah. PacWest also maintains a number of smaller lending offices throughout the country. PacWest operates as two business segments: Community Banking and National Lending. The Community Banking segment is focused on the lending and deposit gathering activities conducted primarily through PacWest's California-based branch offices and PacWest's treasury management function. The National Lending segment comprises PacWest's CapitalSource Division through which PacWest offers a broad range of specialized senior secured commercial loan products to small and middle-market businesses on a nationwide basis.

Square 1 Financial, Inc.  
406 Blackwell Street, Suite 240  
Durham, North Carolina 27701  
Phone: (866) 355-0468

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Square 1 is a financial services company focused primarily on serving entrepreneurs and their investors. Square 1 is headquartered in Durham, North Carolina with thirteen loan production offices located in key innovation hubs across the United States. Through Square 1's banking subsidiary, Square 1 Bank, which was formed by experienced venture bankers, commercial bankers and entrepreneurs, Square 1 offers a full range of banking and financial products focused on the entrepreneurial community and their venture capital and private equity investors. Since inception, Square 1 has operated as a highly-focused venture bank and has provided a broad range of financial services to entrepreneurs, growing entrepreneurial companies and the venture capital and private equity communities. Square 1 provides banking services to its clients, including venture, commercial and international banking services, asset-based lending programs, and SBA and USDA commercial and real estate loan programs. Square 1 also provides investment advisory and asset management services to its clients through Square 1 Asset Management, a subsidiary of Square 1 Bank.

As of March 31, 2015, Square 1 had consolidated total assets of \$3.3 billion, total loans and leases of \$1.5 billion, investment securities of \$1.7 billion, deposits of \$3.0 billion and stockholders' equity of \$318.8 million. Square 1 had 270 full-time equivalent employees as of March 31, 2015.

**Risk Factors (page 26)**

Before voting at the special meeting, you should carefully consider all of the information contained in or incorporated by reference into this document, including the risk factors set forth in the section entitled "Risk Factors" or described in PacWest's and Square 1's respective Annual Reports on Form 10-K for the year ended on December 31, 2014 and other reports filed with the SEC, which are incorporated by reference into this document. Please see "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference."

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR PACWEST**

The following table summarizes consolidated financial results of PacWest for the periods and at the dates indicated and should be read in conjunction with PacWest's consolidated financial statements and the notes to the consolidated financial statements contained in reports that PacWest has previously filed with the SEC. Historical financial information for PacWest can be found in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and its Annual Report on Form 10-K for the year ended December 31, 2014. Please see the section entitled "Where You Can Find More Information" for instructions on how to obtain the information that has been incorporated by reference. Financial amounts as of and for the three months ended March 31, 2015 and 2014 are unaudited and are not necessarily indicative of the results of operations for the full year or any other interim period, and management of PacWest believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past years and for the three months ended March 31, 2015 and 2014 indicate results for any future period.

	At or for the Three Months Ended March 31,		At or For the Year Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
	(In thousands, except per share amounts and percentages)						
<b>Results of Operations(1):</b>							
Interest income	\$ 214,314	\$ 88,360	\$ 704,775	\$ 309,914	\$ 296,115	\$ 295,284	\$ 290,284
Interest expense	(15,239)	2,345	(42,398)	(12,201)	(19,648)	(32,643)	(40,957)
Net interest income	199,075	86,015	662,377	297,713	276,467	262,641	249,327
Total (provision) negative provision for credit losses(2)	(16,434)	644	(11,499)	4,210	12,819	(26,570)	(212,492)
Gain on securities	3,275	4,752	4,841	5,359	1,239		
FDIC loss sharing (expense) income, net	(4,399)	(11,430)	(31,730)	(26,172)	(10,070)	7,776	22,784
Other noninterest income	21,995	11,369	69,076	25,057	24,703	23,650	20,454
Total noninterest income	20,871	4,691	42,187	4,244	15,872	31,426	43,238
Foreclosed assets (expense) income, net	(336)	1,861	(5,401)	1,503	(10,931)	(10,676)	(14,770)
Acquisition, integration and reorganization costs	(2,000)	(2,200)	(101,016)	(40,812)	(4,089)	(600)	(732)
Debt termination expense					(22,598)		(2,660)
Other noninterest expense	(82,024)	(49,825)	(302,327)	(191,378)	(174,044)	(168,717)	(170,641)
Total noninterest expense	(84,360)	(50,164)	(408,744)	(230,687)	(211,662)	(179,993)	(188,803)
Earnings (loss) from continuing operations before income tax (expense) benefit	119,152	41,186	284,321	75,480	93,496	87,504	(108,730)
Income tax (expense) benefit	(46,073)	(15,281)	(113,853)	(30,003)	(36,695)	(36,800)	46,714
Net earnings (loss) from continuing operations	73,079	25,905	170,468	45,477	56,801	50,704	(62,016)
Loss from discontinued operations before income tax benefit		(1,413)	(2,677)	(620)			
Income tax benefit		588	1,114	258			
Net loss from discontinued operations		(825)	(1,563)	(362)			
Net earnings (loss)	\$ 73,079	\$ 25,080	\$ 168,905	\$ 45,115	\$ 56,801	\$ 50,704	\$ (62,016)

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**Per Common Share Data:**

Basic and diluted earnings (loss) per share (EPS):														
Net earnings (loss) from continuing operations	\$	0.71	\$	0.57	\$	1.94	\$	1.09	\$	1.54	\$	1.37	\$	(1.77)
Net earnings (loss)	\$	0.71	\$	0.55	\$	1.92	\$	1.08	\$	1.54	\$	1.37	\$	(1.77)
Dividends declared during period	\$	0.50	\$	0.25	\$	1.25	\$	1.00	\$	0.79	\$	0.21	\$	0.04
Book value per share(3)	\$	34.29	\$	18.21	\$	34.04	\$	17.66	\$	15.74	\$	14.66	\$	13.06
Shares outstanding(3)		103,044		45,778		103,022		45,823		37,421		37,254		36,672
Average shares outstanding for basic and diluted EPS		101,913		44,651		86,853		40,823		35,685		35,491		35,108



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Selected Historical Consolidated Financial Data for PacWest

	At or For the Three Months Ended March 31,		At or For the Year Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
(In thousands, except per share amounts and percentages)							
<b>Balance Sheet Data:</b>							
Total assets	\$ 16,643,940	\$ 6,517,853	\$ 16,234,800	\$ 6,533,363	\$ 5,463,658	\$ 5,528,237	\$ 5,529,021
Cash and cash equivalents	391,854	342,087	313,226	147,422	164,404	295,617	108,552
Investment securities	1,624,314	1,502,473	1,607,786	1,522,684	1,392,511	1,372,464	929,056
Non-purchased credit impaired (Non-PCI) loans and leases	12,047,946	3,828,569	11,613,832	3,930,539	3,074,947	2,841,071	3,196,881
Allowance for credit losses, Non-PCI loans and leases	86,554	66,955	76,767	67,816	72,119	93,783	104,328
Purchased credit impaired (PCI) loans	254,346	332,516	290,852	382,796	517,885	705,332	910,394
FDIC loss sharing asset	16,532	34,628	18,734	45,524	57,475	95,187	116,352
Goodwill	1,728,380	208,743	1,720,479	208,743	79,866	39,141	47,301
Core deposit and customer relationship intangibles	15,703	15,884	17,204	17,248	14,723	17,415	25,843
Deposits	11,934,175	5,369,408	11,755,128	5,280,987	4,709,121	4,577,453	4,649,698
Borrowings	618,156	5,748	383,402	113,726	12,591	225,000	225,000
Subordinated debentures	431,448	132,790	433,583	132,645	108,250	129,271	129,572
Stockholders' equity	3,533,361	833,702	3,506,425	809,093	589,121	546,203	478,797
<b>Performance Ratios:</b>							
Return on average assets	1.82%	1.56%	1.27%	0.74%	1.04%	0.92%	(1.14)%
Return on average equity	8.39%	12.40%	6.11%	6.28%	10.01%	9.92%	(12.56)%
Net interest margin	5.89%	5.95%	5.95%	5.37%	5.52%	5.26%	5.02%
Efficiency ratio	38.35%	55.30%	58.01%	76.40%	72.40%	61.21%	64.53%
Stockholders' equity to total assets ratio	21.23%	12.79%	21.60%	12.38%	10.78%	9.88%	8.66%
Average equity to average assets	21.68%	12.59%	20.74%	11.75%	10.36%	9.32%	9.10%
Dividend payout ratio(4)	70.45%	45.08%	67.66%	90.89%	50.68%	15.04%	NM
Tier 1 leverage capital ratio(5)	11.74%	11.73%	12.34%	11.22%	10.53%	10.42%	8.54%
Tier 1 risk-based capital ratio(5)	12.27%	16.16%	13.16%	15.12%	15.17%	15.97%	12.68%
Total risk-based capital ratio(5)	15.80%	17.42%	16.07%	16.38%	16.43%	17.25%	13.96%
<b>Non-PCI Credit Quality Metrics:</b>							
Non-PCI nonaccrual loans and leases	\$ 139,334	\$ 58,121	\$ 83,621	\$ 46,774	\$ 41,762	\$ 61,619	\$ 95,509
Foreclosed assets	35,940	50,895	43,721	55,891	56,414	81,918	81,414
Total nonperforming assets	\$ 175,274	\$ 109,016	\$ 127,342	\$ 102,665	\$ 98,176	\$ 143,537	\$ 176,923
Non-PCI nonaccrual loans to Non-PCI loans and leases	1.16%	1.52%	0.72%	1.19%	1.36%	2.17%	2.99%
Nonperforming assets to Non-PCI loans and leases and foreclosed assets	1.61%	2.71%	1.28%	2.58%	3.14%	4.91%	5.40%
Allowance for credit losses to Non-PCI nonaccrual loans and leases	62.12%	115.20%	91.80%	144.99%	172.69%	152.20%	109.20%
Allowance for credit losses to Non-PCI loans and leases	0.72%	1.75%	0.66%	1.73%	2.35%	3.30%	3.26%
Net charge-offs to average Non-PCI loans and leases(2)	0.06%	0.02%	0.02%	0.12%	0.33%	0.80%	5.88%

(1) Operating results of acquired companies are included from the respective acquisition dates.

(2) During 2010, the Bank executed two sales of adversely classified loans totaling \$398.5 million that included \$128.1 million in nonaccrual loans. The sales resulted in \$144.6 million of charge-offs to the allowance for credit losses.



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- (3) Includes 1,129,445 and 1,087,436 shares at March 31, 2015 and 2014, respectively, and 1,108,505 shares, 1,216,524 shares, 1,698,281 shares, 1,675,730 shares, and 1,230,582 shares of unvested restricted stock outstanding at December 31, 2014, 2013, 2012, 2011, and 2010.
- (4) Not meaningful for 2010.
- (5) Capital ratios presented are for PacWest as a consolidated company.

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**SELECTED HISTORICAL CONSOLIDATED  
FINANCIAL DATA FOR SQUARE 1**

The following table summarizes consolidated financial results of Square 1 for the periods and at the dates indicated and should be read in conjunction with Square 1's consolidated financial statements and the notes to the consolidated financial statements contained in reports that Square 1 has previously filed with the SEC. Historical financial information for Square 1 can be found in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and its Annual Report on Form 10-K for the year ended December 31, 2014. Please see the section entitled "Where You Can Find More Information" for instructions on how to obtain the information that has been incorporated by reference. Financial amounts as of and for the three months ended March 31, 2015 and 2014 are unaudited and are not necessarily indicative of the results of operations for the full year or any other interim period, and management of Square 1 believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past years and for the three months ended March 31, 2015 and 2014 indicate results for any future period.

(Dollars in thousands)	Three Months Ended March 31,		Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
<b>Financial Condition Data:</b>							
Total assets	\$ 3,337,024	\$ 2,467,142	\$ 3,094,866	\$ 2,326,427	\$ 1,803,281	\$ 1,648,287	\$ 1,583,871
Cash and cash equivalents	126,230	197,894	86,921	105,730	48,971	194,240	201,279
Investment securities available-for-sale	1,292,931	980,669	1,294,533	924,229	776,160	679,553	820,048
Investment securities held-to-maturity	365,771	169,521	300,425	154,255	67,022	28,817	16,964
Loans, net of unearned income(1)	1,478,582	1,061,287	1,346,449	1,082,536	863,081	710,904	490,636
Off-balance sheet unfunded loan commitments	1,297,505	1,036,497	1,232,078	977,262	741,232	714,185	576,632
Deposits	3,009,463	2,198,199	2,776,552	2,106,727	1,519,329	1,508,829	1,461,913
Off-balance sheet client investment funds	1,461,755	643,514	1,436,633	557,883	377,932	458,464	263,325
Borrowings				6,207	96,204	6,193	6,183
Repurchase agreements				12,737			928
<b>Operating Data:</b>							
Interest income	\$ 29,401	\$ 22,800	\$ 104,581	\$ 77,662	\$ 67,676	\$ 60,827	\$ 52,854
Interest expense	256	293	807	1,328	1,142	1,502	1,880
Net interest income	29,145	22,507	103,774	76,334	66,534	59,325	50,974
Provision for loan losses	5,447	2,964	12,614	13,300	9,371	7,300	5,050
Net interest income after provision for loan losses	23,698	19,543	91,160	63,034	57,163	52,025	45,924
Noninterest income (expense)	6,212	7,139	25,217	25,308	15,560	6,857	(22,724)
Noninterest expense	18,337	15,583	66,551	55,921	51,148	49,163	43,091
Income (loss) before income tax expense	11,573	11,099	49,826	32,421	21,575	9,719	(19,892)
Income tax expense (benefit)	3,420	3,251	15,643	10,038	7,203	4,372	(7,271)
Preferred stock dividends and discount accretion		62	63	250	250	250	250
Net income (loss) available to common stockholders	8,153	7,786	34,120	22,133	14,122	5,097	(12,871)

- (1) Net of unearned income of \$8.6 million and \$4.6 million at March 31, 2015 and 2014, respectively, and \$7.9 million, \$4.5 million, \$4.0 million, \$4.1 million, and \$2.1 million at December 31, 2014, 2013, 2012, 2011 and 2010, respectively. Unearned loan fees, the discount on SBA loans and the unearned initial warrant value are included in unearned income.



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	Three Months Ended March 31,		Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
<b>Performance Ratios:</b>							
Return on average assets	1.04%	1.33%	1.25%	1.06%	0.83%	0.33%	(1.01)%
Return on average common equity	10.66	16.34	12.88	12.44	10.11	4.59	(14.00)
Net interest margin(1)	3.96	4.12	4.06	3.91	4.14	4.02	4.22
Average equity to average assets	9.72	8.35	9.77	8.75	8.48	7.52	7.58
<b>Capital Ratios (consolidated):</b>							
Tier 1 leverage capital	9.61	10.90	9.71	8.34	9.53	8.69	8.88
Tier 1 risk-based capital	11.73	14.83	13.84	11.38	13.49	13.03	15.59
Total risk-based capital	12.73	15.93	14.96	12.46	14.57	14.13	16.72
Total shareholders' equity to assets	9.55	10.45	9.78	8.13	9.80	7.55	6.76
<b>Asset Quality Ratios:</b>							
Allowance for loan losses as a percent of total loans	1.67	1.80	1.70	1.70	1.60	1.64	1.87
Allowance for loan losses as a percent of nonperforming loans	135.34	198.65	132.87	127.05	95.25	164.69	166.47
Net charge-offs to average outstanding loans (annualized)	1.07	0.85	0.68	0.95	0.95	0.79	1.14
Nonperforming loans as a percent of total loans	1.24	0.91	1.28	1.34	1.68	0.99	1.13
Nonperforming assets as a percent of total assets	0.55	0.39	0.56	0.63	0.81	0.50	0.55
<b>Per Share Data:</b>							
Net income (loss) per basic common share	\$ 0.28	\$ 0.33	\$ 1.25	\$ 0.94	\$ 0.67	\$ 0.25	\$ (0.78)
Net income (loss) per diluted common share	\$ 0.27	\$ 0.31	\$ 1.18	\$ 0.93	\$ 0.67	\$ 0.25	\$ (0.78)
Book value per common share	\$ 10.71	\$ 9.29	\$ 10.48	\$ 7.80	\$ 7.31	\$ 5.94	\$ 5.08
Weighted average common shares outstanding-basic	29,269,812	23,725,739	27,401,132	23,508,254	20,925,764	20,093,977	16,455,993
Weighted average common shares outstanding-diluted	30,281,386	25,739,743	29,100,814	23,859,448	21,136,770	20,200,227	16,514,246

(1) Represents net interest income as a percent of average interest-earning assets.

Table of Contents**UNAUDITED COMPARATIVE PER SHARE DATA**

The following table shows per common share data regarding basic and diluted earnings, cash dividends and book value for (a) PacWest and Square 1 on a historical basis, (b) PacWest and Square 1 on a pro forma combined basis, and (c) Square 1 on a pro forma equivalent basis. The pro forma basic and diluted earnings per share information was computed as if the merger, as well as PacWest's merger with CapitalSource Inc., which occurred on April 7, 2014, had been completed on January 1, 2014. The pro forma book value per share information was computed as if the merger had been completed on December 31, 2014.

The following pro forma information has been derived from and should be read in conjunction with PacWest's and Square 1's audited consolidated financial statements for the year ended December 31, 2014 and their unaudited consolidated financial statements as of and for the three months ended March 31, 2015, incorporated herein by reference. This information is presented for illustrative purposes only. You should not rely on the pro forma combined or pro forma equivalent amounts as they are not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the dates indicated, nor are they necessarily indicative of the future operating results or financial position of the combined company. The pro forma information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings, opportunities to earn additional revenue, the impact of restructuring and merger-related costs, or other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results.

	<b>Unaudited Comparative Per Common Share Data</b>			
	<b>PacWest(1)</b>	<b>Square 1</b>	<b>PacWest Pro Forma Combined</b>	<b>Square 1 Pro Forma Equivalent Per Share(2)</b>
<b>Basic Earnings</b>				
Year ended December 31, 2014	\$ 1.92	\$ 1.25	\$ 2.40	\$ 1.44
Three months ended March 31, 2015	\$ 0.71	\$ 0.28	\$ 0.68	\$ 0.41
<b>Diluted Earnings</b>				
Year ended December 31, 2014	\$ 1.92	\$ 1.18	\$ 2.40	\$ 1.44
Three months ended March 31, 2015	\$ 0.71	\$ 0.27	\$ 0.68	\$ 0.41
<b>Cash Dividends Paid(3)</b>				
Year ended December 31, 2014	\$ 1.25	\$	\$ 1.25	\$ 0.75
Three months ended March 31, 2015	\$ 0.50	\$	\$ 0.50	\$ 0.30
<b>Book Value</b>				
December 31, 2014	\$ 34.04	\$ 10.48	\$ 35.92	\$ 21.54
March 31, 2015	\$ 34.29	\$ 10.71	\$ 36.31	\$ 21.78

- (1) Basic earnings and diluting earning for PacWest for the year ended December 31, 2014 reflect the results of CapitalSource Inc. only from April 7, 2014.
- (2) Computed by multiplying the PacWest pro forma combined amounts by the exchange ratio of 0.5997.
- (3) PacWest pro forma combined cash dividends paid are based only upon PacWest's historical amounts.

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**COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION**

The table below sets forth, for the calendar quarters indicated, the high and low sales prices per share, and the dividend paid per share, of PacWest common stock, which trades on NASDAQ under the symbol "PACW," and Square 1 common stock, which trades on NASDAQ under the symbol "SQBK."

	PacWest Common Stock			Square 1 Common Stock		
	High	Low	Dividend	High	Low	Dividend
<b>2013</b>						
First quarter	\$ 29.20	\$ 24.96	\$ 0.25	\$ N/A	\$ N/A	\$ N/A
Second quarter	\$ 31.02	\$ 25.81	\$ 0.25	\$ N/A	\$ N/A	\$ N/A
Third quarter	\$ 36.31	\$ 30.58	\$ 0.25	\$ N/A	\$ N/A	\$ N/A
Fourth quarter	\$ 42.96	\$ 34.14	\$ 0.25	\$ N/A	\$ N/A	\$ N/A
<b>2014</b>						
First quarter	\$ 46.08	\$ 37.70	\$ 0.25	\$ 20.70(1)	\$ 19.53(1)	\$ 0.00
Second quarter	\$ 47.37	\$ 38.04	\$ 0.25	\$ 20.50	\$ 16.94	\$ 0.00
Third quarter	\$ 44.80	\$ 39.50	\$ 0.25	\$ 19.95	\$ 17.85	\$ 0.00
Fourth quarter	\$ 48.03	\$ 37.63	\$ 0.50	\$ 26.53	\$ 16.92	\$ 0.00
<b>2015</b>						
First Quarter	\$ 47.47	\$ 41.18	\$ 0.50	\$ 28.75	\$ 21.43	\$ 0.00
Second Quarter (through [ ], 2015)	\$ [ ]	[ ]	\$ 0.50	[ ]	[ ]	\$ 0.00

(1) Stock prices for Square 1 common stock are available starting on March 27, 2014.

The following table sets forth the closing sale prices per share of PacWest common stock and Square 1 common stock on February 27, 2015, the last trading day before the public announcement of the signing of the merger agreement, and on [ ], 2015, the latest practicable date before the date of this document. The following table also includes the equivalent market value per share of Square 1 common stock on February 27, 2015 and [ ], 2015 determined by multiplying the share price of PacWest common stock on such dates by the exchange ratio of 0.5997.

	PacWest Common Stock	Square 1 Common Stock	Equivalent Market Value per Share of Square 1 Common Stock
February 27, 2015	\$ 45.84	\$ 27.68	\$ 27.49
[ ], 2015	\$ [ ]	[ ]	[ ]



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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference into this document, including the matters addressed under the caption entitled "Cautionary Statement Regarding Forward-Looking Statements," Square 1 stockholders should carefully consider the following factors in deciding whether to vote for Square 1's proposals. Please see the sections entitled "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference."*

***Because the market price of PacWest common stock will fluctuate, the value of the merger consideration to be received by Square 1 stockholders may change.***

Upon completion of the merger, each outstanding share of Square 1 common stock, excluding certain specified shares, will be converted into the right to receive 0.5997 of a share of PacWest common stock pursuant to the terms of the merger agreement. The closing price of PacWest common stock on the date that the merger is completed may vary from the closing price of PacWest common stock on the date PacWest and Square 1 announced the merger, on the date that this document is being mailed to the Square 1 stockholders, and on the date of the special meeting of Square 1 stockholders. Because the merger consideration is determined by a fixed exchange ratio, at the time of the special meeting, Square 1 stockholders will not know or be able to calculate the value of the PacWest common stock they will receive upon completion of the merger. Any change in the market price of PacWest common stock prior to completion of the merger may affect the value of the merger consideration that Square 1 stockholders will receive upon completion of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in Square 1's and PacWest's respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of PacWest and Square 1. Square 1 stockholders should obtain current market quotations for shares of PacWest common stock before voting their shares at the special meeting.

***Square 1 stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

Square 1 stockholders currently have the right to vote in the election of the Square 1 board of directors and on other matters affecting Square 1. Upon the completion of the merger, each Square 1 stockholder will be a stockholder of PacWest with a percentage ownership of PacWest that is smaller than such stockholder's current percentage ownership of Square 1. It is currently expected that the former stockholders of Square 1 as a group will receive shares in the merger constituting approximately [ ]% of the outstanding shares of PacWest's common stock immediately after the merger. Because of this, Square 1 stockholders will have less influence on the management and policies of PacWest than they now have on the management and policies of Square 1.

***Sales of substantial amounts of PacWest's common stock in the open market by former Square 1 stockholders could depress PacWest's stock price.***

Shares of PacWest common stock that are issued to stockholders of Square 1 in the merger will be freely tradable without restrictions or further registration under the Securities Act. As of the close of business on the record date, PacWest had approximately [ ] shares of common stock outstanding and [ ] shares of PacWest common stock were reserved for issuance under the PacWest stock plan. Based on the shares of Square 1 common stock currently outstanding, PacWest currently expects to issue approximately [ ] shares of its common stock in connection with the merger.

Because of the significantly enhanced liquidity of PacWest common stock as compared to Square 1 common stock on account of the greater public float and trading volume of PacWest common stock relative to Square 1 common stock, if the merger is completed, Square 1's former stockholders may sell

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substantial amounts of PacWest common stock in the public market following completion of the merger. Any such sales may cause the market price of PacWest common stock to decrease. These sales might also make it more difficult for PacWest to sell equity or equity-related securities at a time and price that it otherwise would deem appropriate.

***PacWest may fail to realize the anticipated benefits of the merger.***

The success of the merger will depend on, among other things, PacWest's ability to combine and integrate the business of Square 1 into PacWest's business. If PacWest is not able to successfully achieve this objective, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected.

PacWest and Square 1 have operated and, until the consummation of the merger, will continue to operate independently. It is possible that the integration process or other factors could result in the loss or departure of key employees, the disruption of the ongoing business of PacWest or Square 1 or inconsistencies in standards, controls, procedures and policies. It is also possible that clients, customers, depositors and counterparties of Square 1 could choose to discontinue their relationships with PacWest post-merger because they prefer doing business with an independent company or for any other reason, which would adversely affect the future anticipated performance of PacWest. These transition matters could have an adverse effect on Square 1 during the pre-merger period and for an undetermined amount of time after the consummation of the merger.

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.***

Before the transactions contemplated by the merger agreement, including the merger and the bank merger, may be completed, various approvals must be obtained from bank regulatory authorities. These governmental entities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the merger or of imposing additional costs or limitations on PacWest following the merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, and may contain conditions on the completion of the merger that are not anticipated or cannot be met. If the consummation of the merger is delayed, including by a delay in receipt of necessary governmental approvals, the business, financial condition and results of operations of each company may also be materially adversely affected.

***Failure of the merger to be completed, the termination of the merger agreement or a significant delay in the consummation of the merger could negatively impact PacWest and Square 1.***

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include: (i) adoption of the merger agreement by Square 1 stockholders, (ii) absence of any governmental order or law prohibiting completion of the merger, and (iii) effectiveness of the registration statement of which this document is a part.

The obligation of each party to consummate the merger is also conditioned upon (i) subject to certain exceptions, the accuracy of the representations and warranties of the other party, (ii) performance in all material respects by the other party of its obligations under the merger agreement, (iii) receipt by such party of a tax opinion to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and (iv) the absence of a material adverse effect with respect to the other party since the date of the merger agreement. The obligation of PacWest to consummate the merger is also conditioned upon (i) the adjusted stockholders' equity of Square 1 being in excess of a specified level, (ii) the receipt of certain required regulatory approvals and such approvals not containing materially

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burdensome regulatory conditions, and (iii) the receipt by PacWest of a certificate as to certain tax matters. The obligation of Square 1 to consummate the merger is also conditioned upon the receipt of certain required regulatory approvals.

These conditions to the consummation of the merger may not be fulfilled and, accordingly, the merger may not be completed. In addition, if the merger is not completed by March 31, 2016, either PacWest or Square 1 may choose not to proceed with the merger, and the parties can mutually decide to terminate the merger agreement at any time, before or after the Square 1 stockholder approval.

If the merger is not consummated, the ongoing business, financial condition and results of operations of each party may be materially adversely affected and the market price of each party's common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the merger will be consummated. If the consummation of the merger is delayed, including by the receipt of a competing acquisition proposal, the business, financial condition and results of operations of each company may be materially adversely affected.

In addition, each party has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement. If the merger is not completed, the parties would have to recognize these expenses without realizing the expected benefits of the transaction. Any of the foregoing, or other risks arising in connection with the failure of or delay in consummating the merger, including the diversion of management attention from pursuing other opportunities and the constraints in the merger agreement on each party's ongoing business during the pendency of the merger, could have a material adverse effect on each party's business, financial condition and results of operations.

Additionally, PacWest's or Square 1's business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. If the merger agreement is terminated and a party's board of directors seeks another merger or business combination, such party's stockholders cannot be certain that such party will be able to find a party willing to engage in a transaction on more attractive terms than the merger.

***Square 1 will be subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the merger on employees, customers, suppliers and vendors may have an adverse effect on the business, financial condition and results of operations of Square 1 and, consequently, PacWest. These uncertainties may impair Square 1's ability to attract, retain and motivate key personnel and customers pending the consummation of the merger, as such personnel and customers may experience uncertainty about their future roles following the consummation of the merger. Additionally, these uncertainties could cause customers, suppliers, vendors and others who deal with Square 1 to seek to change existing business relationships with Square 1 or fail to extend an existing relationship with Square 1. In addition, competitors may target Square 1's existing customers by highlighting potential uncertainties and integration difficulties that may result from the merger.

Square 1 has a small number of key personnel. The pursuit of the merger and the preparation for the integration may place a burden on Square 1's management and internal resources. Any significant diversion of management attention away from ongoing business concerns and any difficulties encountered in the transition and integration process could have a material adverse effect on Square 1's business, financial condition and results of operations.

In addition, the merger agreement restricts Square 1 from taking certain actions without PacWest's consent while the merger is pending. These restrictions may, among other matters, prevent Square 1 from pursuing otherwise attractive business opportunities, selling assets, incurring indebtedness, engaging in significant capital expenditures in excess of certain limits set forth in the merger agreement,

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entering into other transactions or making other changes to Square 1's business prior to consummation of the merger or termination of the merger agreement. These restrictions could have a material adverse effect on Square 1's business, financial condition and results of operations. Please see the section entitled "The Merger Agreement Conduct of Business Prior to the Completion of the Merger" for a description of the restrictive covenants applicable to Square 1.

***Square 1 directors and officers have interests in the merger different from the interests of other Square 1 stockholders.***

Square 1's executive officers and directors have interests in the merger that are different from, or in addition to, the interests of Square 1 stockholders generally. Such interests include the rights to accelerated vesting of equity awards, payments in connection with the termination of employment agreements with certain executive officers, potential benefits upon certain qualifying terminations following consummation of the merger under existing employment agreements with other executive officers and the right to indemnification and insurance coverage following the consummation of the merger. In addition, pursuant to the merger agreement, on or prior to the effective time, the PacWest board of directors will increase the number of directors constituting the PacWest board of directors by one and fill such vacancy by a current director of Square 1 selected by Square 1 and reasonably acceptable to PacWest to be effective immediately following the effective time. These interests are described in more detail under the section entitled "The Merger Interests of Square 1 Directors and Executive Officers in the Merger."

***Shares of PacWest common stock to be received by Square 1 stockholders as a result of the merger will have rights different from the shares of Square 1 common stock.***

Upon completion of the merger, the rights of former Square 1 stockholders will be governed by the certificate of incorporation and bylaws of PacWest. The rights associated with Square 1 common stock are different from the rights associated with PacWest common stock, although both companies are organized under Delaware law. Please see the section entitled "Comparison of Stockholders' Rights" for a discussion of the different rights associated with PacWest common stock.

***The merger agreement contains provisions that may discourage other companies from trying to acquire Square 1.***

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to Square 1 that might result in greater value to Square 1 stockholders than the merger. These provisions include a general prohibition on Square 1 from soliciting, or, subject to certain exceptions, entering into discussions with any third party regarding any acquisition proposal or offers for competing transactions. In addition, in some circumstances upon termination of the merger agreement, Square 1 may be required to pay PacWest a termination fee of \$32.5 million. Certain stockholders of Square 1 have entered into voting agreements and have agreed to vote their shares of Square 1 common stock that they have the power to vote in favor of the merger agreement and certain related matters and against alternative transactions. The stockholders that are party to the voting agreements described in this paragraph beneficially own in the aggregate approximately [ ]% of the outstanding shares of Square 1 voting common stock as of the close of business on the record date. For further information, please see the section entitled "The Merger Agreement Voting Agreements." Square 1 also has an unqualified obligation to submit the merger proposal to a vote of Square 1 stockholders, even if Square 1 receives a proposal that its board of directors believes is superior to the merger.

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***PacWest expects to incur substantial expenses related to the merger.***

PacWest expects to incur substantial expenses in connection with consummation of the merger and combining the business, operations, networks, systems, technologies, policies and procedures of Square 1 into that of PacWest. Although PacWest and Square 1 have assumed that a certain level of transaction and combination expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their combination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Due to these factors, the transaction and combination expenses associated with the merger could, particularly in the near term, exceed the savings that PacWest expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the combination of the businesses following the consummation of the merger. As a result of these expenses, both PacWest and Square 1 expect to take charges against their earnings before and after the completion of the merger. The charges taken in connection with the merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present.

***In connection with the announcement of the merger agreement, two lawsuits are pending, seeking, among other things, to enjoin the merger, and an adverse judgment in these lawsuits may prevent the merger from becoming effective within the expected time frame (if at all).***

Three putative stockholder class action lawsuits, referred to as the merger litigation, have been filed in connection with the merger agreement. The first action, *Manganaro v. Burke et al.*, Case No. 10817-VCL, was filed on March 20, 2015 in the Court of Chancery of the State of Delaware. This action alleged, among other things, that the members of the Square 1 board of directors breached their fiduciary duties to Square 1 stockholders, and was voluntarily dismissed without prejudice on May 5, 2015.

Two more actions were filed in the United States District Court for the Middle District of North Carolina: (1) *Lakowitz v. Bowers et al.*, Case No. 1:15-CV-371, filed on May 6, 2015; and (2) *Li v. Bowers et al.*, Case No. 1:15-CV-373, filed on May 7, 2015. Both complaints allege, on behalf of a putative class of Square 1 stockholders, that the members of the Square 1 board of directors breached their fiduciary duties to Square 1 stockholders by approving the proposed merger for inadequate consideration; approving the transaction in order to obtain benefits not equally shared by other Square 1 stockholders; engaging a conflicted financial advisor; entering into the merger agreement containing preclusive deal protection devices; and causing a materially deficient and misleading Registration Statement to be filed and disseminated to stockholders. The complaints also allege claims against PacWest and Square 1 for aiding and abetting these alleged breaches of fiduciary duties. The plaintiffs in both actions also bring claims in their individual capacities against Square 1 and the members of the Square 1 board of directors for alleged violations of Sections 14(a) of the Exchange Act, and against the members of the Square 1 board of directors for alleged violations of Section 20(a) of the Exchange Act, based upon alleged omissions and misrepresentations in the Registration Statement. The plaintiffs in these actions seek injunctive relief prohibiting consummation of the merger, rescission and damages in the event the merger is consummated, an accounting of damages suffered by the plaintiffs and the putative class, attorneys' fees and costs, and other and further relief. At this stage, it is not possible to predict the outcome of the proceedings or their impact on Square 1, PacWest or the merger. If the plaintiffs are successful in enjoining the consummation of the merger, the lawsuits may prevent the merger from becoming effective within the expected time frame (or at all).

***The opinion of Square 1's financial advisor will not reflect changes in circumstances between the date of the opinion and the completion of the merger.***

The Square 1 board of directors received an opinion from Sandler O'Neill, its financial advisor, on March 1, 2015 to address the fairness of the merger consideration from a financial point of view as of

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that date. Subsequent changes in the operations and prospects of Square 1 or PacWest, general market and economic conditions and other factors that may be beyond the control of Square 1 or PacWest, and on which Square 1's financial advisor's opinion was based, may significantly alter the value of Square 1 or PacWest or the prices of the shares of PacWest common stock or Square 1 common stock by the time the merger is completed. Because Square 1 does not anticipate asking Sandler O'Neill to update its opinion, the opinion will not address the fairness of the merger consideration from a financial point of view at the time the merger is completed or as of any other date other than the date of such opinion. For a description of the opinion that Square 1 received from its financial advisor, please refer to the section entitled "The Merger Opinion of Square 1's Financial Advisor."

***PacWest may not be able to realize its deferred income tax assets.***

It is currently expected that PacWest will undergo an "ownership change" within the meaning of Section 382 of the Internal Revenue Code as a result of the merger, and therefore an annual limit may be imposed on the amount of net operating loss carryforwards that may be used to offset future taxable income. Such annual limit is generally the product of the total value of a company's outstanding equity immediately prior to an "ownership change" (subject to certain adjustments) and the applicable federal long-term tax-exempt interest rate. Based on PacWest's current values and income projections, it is not currently expected that such annual limit will impair PacWest's ability to utilize the net operating loss carryforwards as of the date of the merger.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This document, including information included or incorporated by reference in this document, contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 giving PacWest's and Square 1's expectations or predictions of future financial or business performance or conditions. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "target," "estimate," "continue," "positions," "prospects," "projections" or "potential," by future conditional verbs such as "will," "would," "should," "could" or "may", or by variations of such words or by similar expressions. These forward-looking statements are subject to numerous assumptions, risks and uncertainties which change over time. Forward-looking statements speak only as of the date they are made and PacWest and Square 1 assume no duty to update forward-looking statements.

In addition to factors previously disclosed in PacWest's and Square 1's reports filed with the SEC and those identified elsewhere in this filing (including the section entitled "Risk Factors") the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

PacWest's ability to complete future acquisitions, including the merger, and to successfully integrate such acquired entities or achieve expected benefits, synergies and/or operating efficiencies within expected time frames or at all;

the parties' ability to obtain regulatory approvals and meet other closing conditions to the merger on the expected terms and schedule;

delay in closing the merger;

business disruption prior to or following the proposed merger;

changes in PacWest's stock price before completion of the merger, including as a result of the financial performance of PacWest or Square 1 prior to closing;

the reaction to the merger of PacWest's and Square 1's respective customers, employees and counterparties;

changes in economic or competitive market conditions could negatively impact investment or lending opportunities or product pricing and services;

deteriorations in credit and other markets;

higher than anticipated loan and lease losses;

sustained reduction in real estate markets could negatively impact the value of PacWest's collateral and PacWest's borrowers' ability to repay loans;

a change in the interest rate environment reduces interest margins;

lower than expected revenues;

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asset/liability repricing risks and liquidity risks reduces interest margins and the value of investments;

increased costs to manage and sell foreclosed assets;

legislative or regulatory requirements or changes adversely affecting PacWest's or Square 1's business, including an increase to capital requirements;

regulatory approvals for any capital activities cannot be obtained on the terms expected or on the anticipated schedule;



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changes in tax laws or regulations affecting PacWest's or Square 1's business;

PacWest's inability to generate sufficient earnings;

tax planning or disallowance of tax benefits by tax authorities; and

changes in tax filing jurisdictions or entity classifications.

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**SQUARE 1 SPECIAL MEETING OF STOCKHOLDERS**

**Date, Time and Place**

The special meeting will be held at [ ] at [ ], local time, on [ ], 2015. On or about [ ], 2015, Square 1 commenced mailing of this document and the enclosed form of proxy to its stockholders entitled to vote at the special meeting.

**Purpose of the Special Meeting**

At the special meeting, Square 1 Class A common stockholders will be asked to:

adopt the merger agreement, a copy of which is attached as Appendix A to this document, referred to as the merger proposal;

approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the merger proposal, referred to as the adjournment proposal; and

act upon other business as may properly come before the meeting or any adjournment thereof by or at the direction of the Square 1 board of directors.

**Recommendation of the Square 1 Board of Directors**

After careful consideration, the Square 1 board of directors approved and declared advisable the merger agreement, and determined that the merger agreement and the transaction contemplated thereby are fair to and in the best interests of Square 1 and its stockholders.

**The Square 1 board of directors recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal.** Please see the section entitled "The Merger Recommendation of the Square 1 Board of Directors and Reasons for the Merger."

**Record Date and Quorum**

The Square 1 board of directors has fixed the close of business on [ ], 2015 as the record date for determining the holders of Square 1 Class A common stock entitled to receive notice of and to vote at the special meeting.

As of the close of business on the record date, there were [ ] shares of Square 1 Class A common stock outstanding and entitled to vote at the special meeting held by [ ] holders of record. Each share of Square 1 Class A common stock entitles the holder to one vote on each proposal to be considered at the special meeting. Shares of non-voting Square 1 Class B common stock are not entitled to vote at the special meeting.

The representation of holders of at least a majority of the votes entitled to be cast on the matters to be voted on at the special meeting constitutes a quorum for transacting business at the special meeting. All shares of Square 1 Class A common stock, whether present in person or represented by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the special meeting.

As of the close of business on the record date, directors and executive officers of Square 1 and their affiliates owned and were entitled to vote [ ] shares of Square 1 Class A common stock, representing approximately [ ]% of the shares of Square 1 Class A common stock outstanding on that date. As of the close of business on the record date, PacWest beneficially held no shares of Square 1 common stock.

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Patriot Financial Partners, L.P., Castle Creek Capital Partners IV, L.P., Endicott Opportunity Partners III, L.P. and Northaven Management, Inc. (and certain affiliates thereof), in their capacities as stockholders of Square 1, have separately entered into voting agreements with PacWest in which they have agreed to vote all shares of Square 1 common stock that they own and have the power to vote in favor of the merger proposal and any other matter that is required to be approved by the stockholders of Square 1 to facilitate the transactions contemplated by the merger agreement. These stockholders also agreed to vote against any proposal made in opposition to adoption of the merger agreement or in competition with the merger agreement and against any acquisition proposal. As of the close of business on the record date, these stockholders beneficially owned, in the aggregate, [ ] shares of Square 1 Class A common stock, allowing them to exercise approximately [ ]% of the voting power of Square 1 common stock (which does not include shares issuable upon the exercise of stock options that were not outstanding as of the close of business on the record date).

**Required Vote**

The affirmative vote of a majority of the outstanding shares of Square 1 Class A common stock entitled to vote is required to approve the merger proposal.

The affirmative vote of a majority of the votes cast at the special meeting is required to approve the adjournment proposal.

**Treatment of Abstentions; Failure to Vote**

For purposes of the special meeting, an abstention occurs when a Square 1 Class A common stockholder attends the special meeting, either in person or represented by proxy, but abstains from voting.

For the merger proposal, if a Square 1 Class A common stockholder present in person at the special meeting abstains from voting, or responds by proxy with an "abstain" vote, it will have the same effect as a vote cast "**AGAINST**" this proposal. If a Square 1 Class A common stockholder is not present in person at the special meeting and does not respond by proxy, it will have the same effect as a vote cast "**AGAINST**" this proposal.

For the adjournment proposal, if a Square 1 Class A common stockholder present in person at the special meeting abstains from voting, or responds by proxy with an "abstain" vote, it will have no effect on the vote count for this proposal. If a Square 1 Class A common stockholder is not present in person at the special meeting and does not respond by proxy, it will have no effect on the vote count for this proposal.

**Voting on Proxies; Incomplete Proxies**

Giving a proxy means that a stockholder authorizes the persons named in the enclosed proxy card to vote such holder's shares at the special meeting in the manner such holder directs. A Square 1 Class A common stockholder may vote by proxy or in person at the special meeting. If you hold your shares of Square 1 Class A common stock in your name as a stockholder of record, to submit a proxy, you, as a stockholder, may use one of the following methods:

By telephone: Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week. Have your proxy card handy when you call. You will be prompted to enter your control number(s), which is located on your proxy card, and then follow the directions given.

Through the Internet: Use the Internet to vote your proxy 24 hours a day, 7 days a week. Have your proxy card handy when you access the website. You will be prompted to enter your control number(s), which is located on your proxy card, to create and submit an electronic ballot.

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By mail: Complete and return the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

Square 1 requests that its Square 1 Class A common stockholders vote by telephone, over the Internet or by completing and signing the accompanying proxy and returning it to Square 1 as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the shares of Square 1 Class A common stock represented by it will be voted at the special meeting in accordance with the instructions contained on the proxy card. Applicable deadlines for voting by telephone or through the Internet are set forth in your proxy card.

If any proxy is returned without indication as to how to vote, the shares of Square 1 Class A common stock represented by the proxy will be voted as recommended by the Square 1 board of directors. Unless a stockholder checks the box on its proxy card to withhold discretionary authority, the proxyholders may use their discretion to vote on any other matters voted upon at the special meeting.

If a stockholder's shares are held in "street name" by a broker, bank or other nominee, the stockholder should check the voting form used by that firm to determine whether it may vote by telephone or the Internet.

**Every stockholder's vote is important. Accordingly, each Class A common stockholder should sign, date and return the enclosed proxy card, or vote via the Internet or by telephone, whether or not the stockholder plans to attend the special meeting in person.**

**Shares Held in Street Name**

If you are a Class A common stockholder and your shares are held in "street name" through a bank, broker or other holder of record, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by the bank or broker. You may not vote shares held in street name by returning a proxy card directly to Square 1 or by voting in person at the special meeting unless you provide a "legal proxy," which you must obtain from your broker, bank or other nominee. Further, brokers, banks or other nominees who hold shares of Square 1 Class A common stock on behalf of their customers may not give a proxy to Square 1 to vote those shares with respect to any of the proposals without specific instructions from their customers, as brokers, banks and other nominees do not have discretionary voting power on these matters. Therefore, if you are a Class A common stockholder and you do not instruct your broker, bank or other nominee on how to vote your shares:

your broker, bank or other nominee may not vote your shares on the merger proposal, which broker non-votes will have the same effect as a vote "**AGAINST**" this proposal; and

your broker, bank or other nominee may not vote your shares on the adjournment proposal, which broker non-votes will have no effect on the vote count for this proposal.

**Revocability of Proxies and Changes to a Stockholder's Vote**

You may change your vote at any time before your proxy is voted at the special meeting. You may do this in one of four ways:

first, by sending a notice of revocation to Square 1's corporate secretary at 406 Blackwell Street, Suite 240, Durham, North Carolina 27701, stating that you would like to revoke your proxy;

second, by logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the instructions on the proxy card;

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third, by sending a completed proxy card bearing a later date than your original proxy card; or

fourth, by attending the special meeting and voting in person.

If you choose any of the first three methods, you must take the described action (or, with respect to the third method, Square 1 shall have received the subsequent proxy card) no later than [ ], 2015, at 5:00 p.m. local time, which is the business day immediately prior to the special meeting. If you choose to send a completed proxy card bearing a later date than your original proxy card or a notice of revocation, the new proxy card or notice of revocation must be received before the beginning of the special meeting. If you have instructed a bank, broker or other nominee to vote your shares of Square 1 Class A common stock, you must follow the directions you receive from your bank, broker or other nominee in order to change or revoke your vote.

**Solicitation of Proxies**

The cost of solicitation of proxies from stockholders will be borne by Square 1. Square 1 will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of common stock. In addition to solicitations by mail, Square 1's directors, officers and regular employees may solicit proxies personally or by telephone without additional compensation.

**Attending the Special Meeting**

Subject to space availability, all Class A common stockholders as of the close of business on the record date, or their duly appointed proxies, may attend the special meeting. Since seating is limited, admission to the special meeting will be on a first-come, first-served basis. Registration and seating will begin at [ ], local time.

If you hold your shares of Square 1 Class A common stock in your name as a stockholder of record and you wish to attend the special meeting, please bring your proxy and evidence of your stock ownership, such as your most recent account statement, to the special meeting. You must also bring valid picture identification.

If your shares of Square 1 Class A common stock are held in "street name" in a stock brokerage account or by a bank or nominee and you wish to attend the special meeting, you need to bring a copy of a bank or brokerage statement to the special meeting reflecting your stock ownership as of the close of business on the record date. You must also bring valid picture identification.

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**SQUARE 1 PROPOSALS**

**Merger Proposal**

As discussed throughout this document, Square 1 is asking its Class A common stockholders to approve the merger proposal. Holders of our Class A common stock should read carefully this document in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. In particular, holders of our Class A common stock are directed to the merger agreement, a copy of which is attached as Appendix A to this document.

*The Square 1 board of directors recommends a vote "FOR" the merger proposal.*

**Adjournment Proposal**

The special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, the solicitation of additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal.

If, at the special meeting, the number of shares of our Class A common stock present or represented and voting in favor of the merger proposal is insufficient to approve the merger proposal, Square 1 intends to move to adjourn the special meeting in order to enable the board of directors to solicit additional proxies for approval of the merger proposal. In that event, Square 1 will ask its Class A stockholders to vote only upon the adjournment proposal and not the merger proposal.

In the adjournment proposal, Square 1 is asking its Class A common stockholders to authorize the holder of any proxy solicited by the board of directors to vote in favor of granting discretionary authority to the proxy holders to adjourn the special meeting to another time and place, if necessary or appropriate, for the purpose of soliciting additional proxies. If the Class A common stockholders approve the adjournment proposal, Square 1 could adjourn the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Class A common stockholders who have previously voted.

*The Square 1 board of directors recommends a vote "FOR" the adjournment proposal.*

**Other Matters to Come Before the Special Meeting**

No other matters are intended to be brought before the special meeting by Square 1, and Square 1 does not know of any matters to be brought before the special meeting by others. If, however, any other matters properly come before the special meeting, the persons named in the proxy will vote the shares represented thereby in accordance with their best judgment on any such matter.

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**INFORMATION ABOUT THE COMPANIES**

**PacWest Bancorp**

10250 Constellation Blvd., Suite 1640  
Los Angeles, California 90067  
Phone: (310) 286-1144

PacWest Bancorp, a Delaware corporation, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. PacWest's principal business is to serve as the holding company for PacWest's wholly owned subsidiary, Pacific Western Bank. Pacific Western Bank is focused on relationship-based business banking to small and middle-market businesses nationwide. PacWest offers a broad range of deposit products and services through 80 full-service branches located throughout California. PacWest, through offices across the United States, provides loans to middle-market businesses, real estate investment firms, and sophisticated individual real estate investors.

As of March 31, 2015, PacWest had total assets of \$16.6 billion, gross loans and leases of \$12.3 billion, total deposits of \$11.9 billion and stockholders' equity of \$3.5 billion. PacWest's corporate headquarters is located in Los Angeles, California, and PacWest has 80 full-service, retail bank branches located primarily in southern and central California and three branches in northern California. PacWest's loan origination efforts are conducted nationwide with key offices located in Chevy Chase, Maryland, Southern California, including Los Angeles, St. Louis, Missouri, Denver, Colorado, Chicago, Illinois, New York, New York, and Midvale, Utah. PacWest also maintains a number of smaller lending offices throughout the country. PacWest operates as two business segments: Community Banking and National Lending. The Community Banking segment is focused on the lending and deposit gathering activities conducted primarily through PacWest's California-based branch offices and PacWest's treasury management function. The National Lending segment comprises PacWest's CapitalSource Division through which PacWest offers a broad range of specialized senior secured commercial loan products to small and middle-market businesses on a nationwide basis.

PacWest's stock is traded on NASDAQ under the symbol "PACW."

Additional information about PacWest and its subsidiaries may be found in the documents incorporated by reference into this document. Please also see the section entitled "Where You Can Find More Information."

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**Square 1 Financial, Inc.**

406 Blackwell Street, Suite 240  
Durham, North Carolina 27701  
Phone: (866) 355-0468

Square 1 is a financial services company focused primarily on serving entrepreneurs and their investors. Square 1 is headquartered in Durham, North Carolina with thirteen loan production offices located in key innovation hubs across the United States. Through Square 1's banking subsidiary, Square 1 Bank, which was formed by experienced venture bankers, commercial bankers and entrepreneurs, Square 1 offers a full range of banking and financial products focused on the entrepreneurial community and their venture capital and private equity investors. Since inception, Square 1 has operated as a highly-focused venture bank and has provided a broad range of financial services to entrepreneurs, growing entrepreneurial companies and the venture capital and private equity communities. Square 1 provides banking services to its clients, including venture, commercial and international banking services, asset-based lending programs, and SBA and USDA commercial and real estate loan programs. Square 1 also provides investment advisory and asset management services to its clients through Square 1 Asset Management, a subsidiary of Square 1 Bank.

As of March 31, 2015, Square 1 had consolidated total assets of \$3.3 billion, total loans and leases of \$1.5 billion, investment securities of \$1.7 billion, deposits of \$3.0 billion and stockholders' equity of \$318.8 million. Square 1 had 270 full-time equivalent employees as of March 31, 2015.

Square 1's stock is traded on NASDAQ under the symbol "SQBK."

Additional information about Square 1 and its subsidiaries may be found in the documents incorporated by reference into this document. Please see the section entitled "Where You Can Find More Information."



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**THE MERGER**

*The following is a discussion of the merger and the material terms of the merger agreement between PacWest and Square 1. You are urged to read carefully the merger agreement in its entirety, a copy of which is attached as Appendix A to this document and incorporated by reference herein. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. This section is not intended to provide you with any factual information about PacWest or Square 1. Such information can be found elsewhere in this document and in the public filings PacWest and Square 1 make with the SEC, as described in the section entitled "Where You Can Find More Information."*

**Terms of the Merger**

*Transaction Structure*

PacWest's and Square 1's boards of directors have approved the merger agreement. The merger agreement provides for the merger of Square 1 with and into PacWest, with PacWest continuing as the surviving corporation. Immediately after the merger, Square 1 Bank, a *de novo* North Carolina commercial bank and a wholly owned subsidiary of Square 1, will merge with and into Pacific Western Bank, a bank chartered under the laws of the State of California and a wholly owned subsidiary of PacWest, with Pacific Western Bank being the surviving bank.

*Merger Consideration*

In the merger, each share of Square 1 common stock, par value \$0.01 per share, owned by a Square 1 stockholder, other than certain specified excluded shares described under "The Merger Agreement Merger Consideration Cancellation of Excluded Shares," will be converted into the right to receive 0.5997 of a share of PacWest common stock, par value \$0.01 per share. For each fractional share that would otherwise be issued, PacWest will pay cash in an amount equal to the fraction of a share of PacWest common stock which the holder would otherwise be entitled to receive multiplied by the PacWest Average Closing Price.

**The market value of the merger consideration will fluctuate with the price of PacWest common stock, and the value of the shares of PacWest common stock that holders of Square 1 common stock will receive upon consummation of the merger may be different than the value of the shares of PacWest common stock that holders of Square 1 common stock would receive if calculated on the date PacWest and Square 1 announced the merger, on the date that this document is being mailed to Square 1 stockholders, and on the date of the special meeting of Square 1 stockholders. Based on the closing price of PacWest common stock on February 27, 2015, the value of the per share merger consideration payable to holders of Square 1 common stock was \$27.49. Based on the closing price of PacWest common stock on [ ], 2015, the last practicable date before the date of this document, the value of the per share merger consideration payable to holders of Square 1 common stock was \$[ ].**

*Treatment of Square 1 Stock Options and Square 1 RSUs*

*Square 1 Stock Options.* At the effective time, each Square 1 stock option, whether vested or unvested, will be cancelled and will entitle the holder of such option to receive an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such option and (ii) the excess, if any, of (A) the product of (1) the PacWest Average Closing Price and (2) 0.5997 over (B) the exercise price per share of Square 1 common stock underlying such option, less any applicable taxes to be withheld with respect to such payment.

*Square 1 RSUs.* At the effective time, each outstanding Square 1 RSU will be cancelled and will entitle the holder to receive an amount in cash equal to the product of (i) the number of shares of

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Square 1 common stock subject to such Square 1 RSU and (ii) the product of (A) the PacWest Average Closing Price and (B) 0.5997, less any applicable taxes to be withheld with respect to such payment.

*Treatment of Square 1 Warrants*

At the effective time, each warrant to purchase shares of Square 1 common stock held by the specified individuals to the extent then outstanding and not previously exercised will be cancelled and will only entitle the holder thereof to receive, as soon as reasonably practicable after the effective time, an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such warrants and (ii) the excess, if any, of (A) the product of (1) the PacWest Average Closing Price and (2) 0.5997 over (B) the exercise price per share of Square 1 common stock under such warrants, less any applicable taxes required to be withheld with respect to such payment. As of the date of this document, there were outstanding warrants to purchase [ ] shares of Square 1 common stock. All such warrants expire, if not previously exercised, on July 11, 2015.

**Background of the Merger**

The Square 1 board of directors frequently reviews, with management, its business strategies, opportunities and challenges as part of its consideration and evaluation of its long-term prospects in light of developments in its business, in the sectors in which it competes, in the economy generally and in financial markets, with the goal of enhancing value for its stockholders.

In November 2014, Matthew Wagner, PacWest's Chief Executive Officer, contacted a member of the Square 1 board of directors to indicate PacWest's potential interest in discussing strategic matters. After conferring with Mr. Robert Muehlenbeck, Chairman of the Square 1 board of directors, Douglas Bowers, a director and President and Chief Executive Officer of Square 1, had an introductory conversation with Mr. Wagner to learn more about PacWest's potential interest in Square 1. On November 14, 2014, Mr. Wagner and Mr. Bowers had a telephone call during which they discussed business and industry trends and their respective companies. In the course of the call, Mr. Wagner communicated to Mr. Bowers that PacWest was interested in a potential strategic business combination with Square 1 in view of the substantial benefits and synergies potentially available for the combined company. Mr. Wagner also expressed an interest in continuing conversations regarding a potential transaction and commencing due diligence to assess the possibility of proceeding with more detailed discussions.

Following this discussion between Mr. Bowers and Mr. Wagner, a special meeting of the Square 1 board of directors was held on November 20, 2014. At this meeting, Mr. Bowers updated the Square 1 board of directors on the conversation he had with Mr. Wagner. The Square 1 board of directors also reviewed a preliminary financial analysis of a potential combination of the two companies developed internally by the Square 1 board of directors and management for discussion purposes. At the meeting, the Square 1 board of directors also established a mergers and acquisitions committee, referred to as the M&A Committee, comprised of Mr. Bowers, Mr. Muehlenbeck, Robert Usdan, Paul Burke and W. Kirk Wycoff to review, with the assistance of Square 1 management and outside advisors, Square 1's strategic alternatives, including the potential interest of PacWest and continuing operations as an independent entity, and to report to the full Square 1 board of directors regularly on such matters. In forming the M&A Committee and establishing its membership, the Square 1 board of directors noted that Messrs. Usdan, Burke and Wycoff each represented significant stockholders of Square 1, and that by virtue of their participation on the M&A Committee, stockholders holding at that time in the aggregate more than 26% of the outstanding voting power of Square 1 would be directly represented on the M&A Committee. In addition, the Square 1 board of directors authorized management to engage a financial advisor to assist in the Square 1 board of directors' and the M&A Committee's review of potential strategic alternatives. Prior to the Square 1 board of directors' meeting on

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November 20, 2014, Mr. John Pietrzak, a director of Square 1 and a managing principal at Castle Creek Capital, an affiliate of a significant stockholder of Square 1, informed the Square 1 board of directors that the founder and managing principal of Castle Creek Capital, John Eggemeyer, was the Chairman of the PacWest board of directors and that, in view of this fact, Mr. Pietrzak intended to recuse himself from all discussions pertaining to PacWest or a potential transaction with PacWest. Mr. Pietrzak thereafter did not attend or otherwise participate in any M&A Committee meetings or in any portions of meetings of the Square 1 board of directors in which PacWest or a potential transaction with PacWest was discussed.

On December 4, 2014, Mr. Bowers and Mr. Wagner both attended an industry conference and continued their preliminary exploratory discussions through an in-person meeting, during which they discussed their respective companies and the feasibility of a strategic business combination transaction between the two companies. Following this conversation, Mr. Bowers and members of the M&A Committee continued to discuss among themselves and with other members of the Square 1 board of directors the possibility of a business combination transaction with PacWest. On December 8, 2014, the M&A Committee met and determined to arrange a meeting with representatives of PacWest to discuss a potential business combination transaction in more detail.

On December 16, 2014, the M&A Committee met with Mr. Wagner and other senior executives of PacWest at PacWest's offices. The discussion principally focused on Square 1's lines of businesses and the complementary nature of Square 1's business to that of PacWest. Mr. Wagner confirmed PacWest's potential interest in a strategic business combination in which Square 1 stockholders would receive consideration of \$27.00 per share, but did not provide additional detail about the form of consideration or structure of the potential transaction.

On December 18, 2014, at a special meeting of the Square 1 board of directors, the Square 1 board of directors reviewed, together with the M&A Committee, the details of the discussions between representatives of Square 1 and representatives of PacWest. The Square 1 board of directors reached the consensus that it would be advisable to continue discussions with PacWest and directed the M&A Committee to continue to engage with representatives of PacWest. On December 30, 2014, Square 1 entered into a customary confidentiality agreement with PacWest in order to facilitate reciprocal due diligence efforts.

In January 2015, the M&A Committee recommended that the Square 1 board of directors consider retaining one of two financial advisors to assist in the Square 1 board of directors' and the M&A Committee's review of potential strategic alternatives. At a meeting of the Square 1 board of directors on January 14, 2015, each of the two financial advisors under consideration met with the Square 1 board of directors and presented to the board its preliminary financial analysis of Square 1 and Square 1's potential strategic alternatives. Following these presentations, Sandler O'Neill was selected as financial advisor based on, among other factors, Sandler O'Neill's reputation, experience in mergers and acquisitions, valuations, financing and capital markets and its familiarity with Square 1 and Square 1's strategic goals and the industries in which it competes, and on January 29, 2015, Square 1 formally retained Sandler O'Neill.

On January 26, 2015, representatives of Square 1 and PacWest, along with representatives of Sandler O'Neill and Jefferies LLC, PacWest's financial advisor, met to discuss in detail the loan portfolios, underwriting practices and credit profiles of the businesses and the cultures of the two companies.

On January 28, 2015, the Square 1 board of directors met at a regularly scheduled meeting. In addition to discussion of Square 1's regular business, significant portions of the meeting were devoted to a review and analysis of Square 1's strategic and financial alternatives, in light of PacWest's verbal indications of interest to date. During these portions of the meeting, which were attended by members of Square 1 management and representatives of Sandler O'Neill and Wachtell, Lipton, Rosen & Katz,

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referred to as Wachtell Lipton, Square 1's legal advisor, the Square 1 board of directors considered the value for Square 1 and its stockholders that could be achieved on a stand-alone basis and in a potential business combination transaction with PacWest. In the course of assessing the stand-alone value of Square 1, the Square 1 board of directors considered risks associated with executing on its stand-alone business plan and the effect of general industry and business conditions in the future. In the course of assessing the value to Square 1 stockholders of a potential business combination with PacWest, the Square 1 board of directors considered similar risks as applicable to a combined organization, which would be significantly larger and have more diverse operations, lending lines and customer bases. The Square 1 board of directors also considered PacWest's dividend payment history and the significant increase in trading liquidity that would result from Square 1 stockholders receiving PacWest common stock as consideration in a transaction. In the course of its discussions the Square 1 board of directors also considered other potential strategic partners identified by Sandler O'Neill, the likelihood of any such partners actually having interest in proceeding with a transaction, as well as what the Square 1 board of directors believed to be very significant risks from a confidentiality, competitive, and employee retention perspective of approaching other potential strategic partners. Based on these discussions and analyses, the Square 1 board of directors determined to continue discussions with PacWest to evaluate the possibility of a potential transaction with PacWest and determined not to contact other parties to assess their interest in a potential transaction. The Square 1 board of directors authorized management (i) to proceed with reciprocal due diligence, including an assessment of PacWest's company, culture, loan portfolio and regulatory standing and feasibility of pursuing and completing a transaction, (ii) to begin discussing with PacWest with more specificity the terms of a potential business combination transaction, and (iii) to request from PacWest a written confirmation of the significant terms on which it would be willing to proceed with a transaction.

On January 30, 2015, the closing trading price of Square 1 common stock was \$23.26. Starting around the beginning of February, Square 1 common stock experienced occasional increases in trading volume and trading price, which appeared to diverge from the general market and general bank indices and did not appear to be driven by any reports or releases by Square 1. Such occasional increased levels of trading volume and trading price continued to occur periodically over the next several weeks, and accelerated in the final week of February.

On February 4, 2015, PacWest submitted to Sandler O'Neill a preliminary letter of interest. PacWest indicated that it was prepared to proceed with a transaction in which Square 1 would merge into PacWest, immediately followed by the merger of Square 1 Bank into Pacific Western Bank. The letter contemplated that Square 1's stockholders would receive consideration in the form of PacWest common stock at a fixed exchange ratio of 0.5997, which was the exchange ratio calculated on the basis of PacWest's then-current trading price to provide consideration with a value equal to \$27.00 per share, subject to the completion of due diligence and the negotiation of a definitive transaction agreement. The letter of interest from PacWest also indicated that certain large stockholders of Square 1 would be required to enter into voting agreements in support of the transaction.

On February 11, 2015, the M&A Committee met to review a report from Sandler O'Neill and management on continuing discussions and financial due diligence with PacWest and separately to discuss, in view of the potential transaction, compensation matters being considered by the Compensation Committee of the Square 1 board of directors. In the course of the meeting the M&A Committee and Sandler O'Neill discussed the recent periodic increases in trading price and volume of Square 1 common stock, and their shared belief that such increases may be attributable to market speculation about a possible transaction. The M&A Committee also discussed the proposed structure of the transaction, including the fixed exchange ratio, and directed Sandler O'Neill to consider and report on the financial risks and benefits of such a structure. Alternatively the M&A Committee instructed Sandler O'Neill to analyze a structure that would include a band of stock price values, or "collar" within which the exchange ratio would adjust to provide a fixed consideration value for certain limited

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PacWest common stock price movements from the date of entering into a merger agreement through the closing of the merger. The M&A Committee also directed Sandler O'Neill to explore with representatives of PacWest the possibility of an increase in the overall consideration to be paid in the transaction.

On February 11, 2015, the PacWest board of directors held a meeting during which the PacWest board of directors received an overview from Mr. Wagner of the preliminary discussions that had been held with Square 1, including the proposed terms of the transaction, and discussed the proposed transaction generally.

Over the course of the following weeks, PacWest and Square 1 continued to undertake their reciprocal due diligence efforts and made available to each other certain due diligence materials in electronic data rooms. In addition, during this period, PacWest and Square 1 and their respective legal advisors held preliminary discussions concerning the regulatory approvals that would be required in connection with a potential transaction and the process for obtaining required regulatory approvals. During this period, management of Square 1 updated the M&A Committee and members of the Square 1 board of directors on the results of the ongoing reciprocal due diligence efforts.

On February 19, 2015, PacWest and its legal advisor, Sullivan & Cromwell LLP, referred to as S&C, provided Square 1 and Wachtell Lipton with an initial draft merger agreement for the proposed transaction. Over the course of the following week, the parties and their respective legal advisors exchanged drafts of the merger agreement and worked towards finalizing the terms of the transaction, and the parties and their respective advisors continued to conduct reciprocal due diligence.

On February 24, 2015, the Square 1 board of directors met for a regularly scheduled meeting, which was attended by senior management of Square 1 and representatives of Sandler O'Neill and Wachtell Lipton. During that meeting, the Square 1 board of directors received an update from management on the status of the ongoing diligence efforts. Among these updates was a detailed review of the PacWest loan portfolio analysis management conducted with the assistance of outside consultants. In addition, representatives of Wachtell Lipton discussed with the Square 1 board of directors the terms of the transaction documents and the legal standards applicable to the Square 1 board of directors' decisions and actions with respect to the proposed transaction. The Square 1 board of directors and its advisors discussed the request of PacWest that major stockholders accounting for approximately 29% of the outstanding voting power of Square 1 common stock in the aggregate enter into voting and support agreements in which they would agree to vote their shares in favor of the proposed transaction, including in the event a subsequent competing offer arose, and the fact that such agreements could reduce the probability of a competing offer arising. Representatives of Sandler O'Neill reviewed and discussed with the Square 1 board of directors its financial analysis of the merger consideration and the proposed transaction, including the market liquidity and dividend payment history associated with PacWest common stock. Sandler O'Neill also reported on its discussions with representatives of PacWest, including that PacWest had confirmed a fixed exchange ratio of 0.5997, despite the subsequent increase in the trading price of PacWest common stock, which at that time would result in consideration per share of Square 1 common stock of \$27.35. The Square 1 board of directors also discussed the structure of the consideration, and its conclusion that on balance a fixed exchange ratio was in the best interest of Square 1 stockholders because it would enable them to share fully in the potential upside from the combination of PacWest and Square 1 and the realization of resulting synergies. At the conclusion of the meeting, the Square 1 board of directors authorized Square 1 management to finalize a strategic business combination transaction with PacWest on substantially the terms described to the Square 1 board of directors.

Over the next several days following the meeting of the Square 1 board of directors on February 24, 2015, members of Square 1 management and Wachtell Lipton worked with members of PacWest management and S&C to finalize the merger agreement and related transaction documents,

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including the terms of the agreements with executive officers of Square 1 described under " Interests of Square 1 Directors and Officers in the Merger Letter and Employment Agreements."

On March 1, 2015, the Square 1 board of directors held a special meeting, together with members of Square 1 management and representatives of Sandler O'Neill and Wachtell Lipton, during which representatives of management, Sandler O'Neill and Wachtell Lipton reviewed for the Square 1 board of directors the final terms of the transaction documents. Representatives of Wachtell Lipton also reviewed for the Square 1 board of directors, as they had previously done, the legal standards applicable to the Square 1 board of directors' decisions and actions with respect to the transaction, and Sandler O'Neill rendered its oral opinion, which was subsequently confirmed in writing, to the Square 1 board of directors that, as of that date, and based upon and subject to the factors, assumptions and limitations set forth in its written opinion, the merger consideration to be paid to the holders of Square 1 common stock in the merger was fair, from a financial point of view, to such holders. The Square 1 board of directors thereafter discussed at length the transaction and the pricing terms, and noted that the trading price and trading volume for Square 1 common stock had increased to all-time highs during the preceding week, in each case at levels that appeared to diverge from the general market and general bank indices and did not appear to be driven by any reports or releases by Square 1. The Square 1 board of directors noted that the implied consideration per share of Square 1 common stock in the potential transaction was below the trading price for Square 1 common stock at the close of trading on the preceding trading date. The Square 1 board of directors also noted its view, and that of its financial advisor, that the recent Square 1 common stock trading reflected market speculation about a potential transaction, and that in the absence of such speculation the trading price of Square 1 common stock would be significantly lower. In this regard, the Square 1 board of directors considered, among other things, the financial analyses of Sandler O'Neill regarding the valuation of Square 1 as a stand-alone entity. The Square 1 board of directors also discussed with management and Square 1's advisors the impact of the transaction on Square 1's employees in light of the importance to preserving the value of Square 1 and its franchise of providing maximum assurances that relationships with employees would not be adversely affected by the transaction. Following extensive discussion and questions and answers, including consideration of the factors described under " Recommendation of the Square 1 Board of Directors and Reasons for the Merger," the Square 1 board of directors determined that the merger agreement and the transactions contemplated thereby, including the merger, were advisable and in the best interests of Square 1 and its stockholders, and to recommend that the Square 1 stockholders approve the adoption of the merger agreement.

Also, on March 1, 2015, the PacWest board of directors held a special meeting to discuss the final terms of the proposed transaction with members of PacWest management and a representative from S&C and approved the entry into the merger agreement.

Following the respective board meetings of PacWest and Square 1, on the evening of March 1, 2015, Square 1 and PacWest executed the merger agreement, and PacWest executed the voting agreements entered into with certain stockholders of Square 1 and the non-solicitation agreements entered into with certain directors of Square 1. In addition, PacWest and Square 1 also entered into agreements with executive officers of Square 1, as described under " Interests of Square 1 Directors and Officers in the Merger Letter and Employment Agreements." On the morning of March 2, 2015, Square 1 and PacWest issued a joint press release announcing the execution of the merger agreement.

**Recommendation of the Square 1 Board of Directors and Reasons for the Merger**

After careful consideration, the Square 1 board of directors, at a meeting held on March 1, 2015, determined that the merger agreement and the transactions contemplated therein, including the merger, are fair to and in the best interests of Square 1 and its stockholders and approved and declared advisable the merger agreement and the transactions contemplated therein, including the merger, and recommends that Square 1's Class A common stockholders vote "FOR" the adoption of

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the merger proposal. In reaching its decision to approve and recommend the adoption of the merger agreement and the transactions contemplated by the merger agreement, the Square 1 board of directors consulted with Square 1's management, as well as its financial and legal advisors, and considered a number of factors, including the following material factors:

each of Square 1's, PacWest's and the combined company's business, operations, financial condition, asset quality, earnings and prospects. In reviewing these factors, the Square 1 board of directors considered its view that PacWest's business and operations complement those of Square 1 and that the merger would result in a combined company with diversified revenue sources, a well-balanced loan portfolio and an attractive funding base, as evidenced by a significant portion of core deposit funding;

its understanding of the current and prospective environment in which Square 1 and PacWest operate, including national and local economic conditions, the interest rate environment, increasing operating costs resulting from regulatory initiatives and compliance mandates, the competitive environment for financial institutions generally, and the likely effect of these factors on Square 1 both with and without the proposed transaction;

its review and discussions with Square 1's management concerning the due diligence investigation of PacWest;

management's expectation that PacWest will have a strong capital position upon completion of the transaction;

the expected pro forma financial impact of the transaction, taking into account anticipated cost savings and other factors, on Square 1 and its stockholders;

the availability of alternative transactions, including the fact that, in a consolidating industry, institutions with an interest in merging with another institution typically make that interest known; the attractiveness and strategic fit of PacWest as a potential merger partner; and the likelihood of an alternative transaction emerging;

its belief that the transaction is likely to provide substantial value to Square 1's stockholders and substantially improved liquidity with respect to shares of PacWest common stock that Square 1's stockholders will receive in the merger;

the opinion of Sandler O'Neill, Square 1's financial advisor, delivered March 1, 2015 to the Square 1 board of directors, and subsequently confirmed in writing, to the effect that, as of that date, subject to procedures followed, assumptions made, matters considered and qualifications and limitations described in Sandler O'Neill's opinion, the merger consideration was fair to the holders of Square 1 common stock from a financial point of view, as more fully described below in the section entitled " Opinion of Square 1's Financial Advisor";

the financial and other terms of the merger agreement, including the fixed exchange ratio, which the Square 1 board of directors believe is consistent with market practice for transactions of this type and with the strategic purpose of the transaction, the expected tax treatment and deal protection provisions, which it reviewed with its outside financial and legal advisors;

the structure of the transaction as a stock-for-stock merger following which Square 1's existing stockholders will continue to participate in the future success of PacWest and reap the benefits of any synergies achieved or any future transactions that might be pursued by PacWest;

the impact of the transaction on Square 1's employees, including the prospects for continued employment and the severance and other benefits agreed to be provided by PacWest, and the importance to preserving the value of Square 1 and its

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franchise, both in the event that the merger is completed and in case the merger is not completed, of providing maximum assurances that relationships with employees would not be adversely affected by the transaction;



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the potential risk of diverting management attention and resources from the operation of Square 1's business and towards the completion of the merger;

the potential risks associated with PacWest achieving anticipated cost synergies and savings and successfully integrating Square 1's business, operations and workforce with those of PacWest;

the regulatory and other approvals required in connection with the merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions;

the merger agreement provisions generally requiring Square 1 to conduct its business in the ordinary course and the other restrictions on the conduct of Square 1's business prior to completion of the merger, which may delay or prevent Square 1 from undertaking business opportunities that may arise pending completion of the merger;

with stock consideration based on a fixed exchange ratio, the risk that the consideration to be paid to Square 1 stockholders could be adversely affected by a decrease in the trading price of PacWest common stock during the pendency of the merger; and

the possibility of litigation challenging the merger, and its belief that any such litigation would be without merit.

The foregoing discussion of the factors considered by the Square 1 board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the Square 1 board of directors. In reaching its decision to approve the merger agreement and the other transactions contemplated by the merger agreement, including the merger, the Square 1 board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Square 1 board of directors considered all these factors as a whole, including discussions with, and questioning of, Square 1's management and Square 1's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

This explanation of Square 1's reasons for the merger and other information presented in this section is forward-looking in nature and should be read in light of the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

**For the reasons set forth above, the Square 1 board of directors has approved the merger agreement and the transactions contemplated thereby and recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal.**

**Opinion of Square 1's Financial Advisor**

By letter dated January 29, 2015, Square 1 retained Sandler O'Neill to act as financial advisor to the Square 1 board of directors in connection with Square 1's consideration of a possible business combination. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. The Square 1 board of directors also considered the fact that Sandler O'Neill is familiar with Square 1 and its business as Sandler O'Neill has provided investment banking services to Square 1 in the past.

Sandler O'Neill acted as financial advisor in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the March 1, 2015 meeting at which the Square 1 board of directors considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, which was subsequently confirmed in writing, that, as of such date, the merger consideration was fair to the holders of Square 1 common

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stock from a financial point of view. **The full text of Sandler O'Neill's opinion is attached as Appendix C to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of Square 1 common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O'Neill's opinion speaks only as of the date of the opinion and was necessarily based on financial, economic, market and other conditions as they existed on, and the information made available to Sandler O'Neill as of, that date. Events occurring or information available after that date could materially affect its opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion. The opinion was directed to Square 1's board and is directed only to the fairness of the merger consideration to the holders of Square 1 common stock from a financial point of view. It does not address the underlying business decision of Square 1 to engage in the merger or any other aspect of the merger and is not a recommendation to any holder of Square 1 common stock as to how such stockholder should vote at the special meeting with respect to the merger or any other matter. Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by Square 1's officers, directors or employees, or class of such persons, relative to the per share consideration to be received by Square 1 stockholders.

In connection with rendering its opinion, Sandler O'Neill reviewed and considered, among other things:

the merger agreement;

certain publicly available financial statements and other historical financial information of Square 1 that they deemed relevant, including a draft of Square 1's Annual Report on Form 10-K for the year ended December 31, 2014;

certain publicly available financial statements and other historical financial information of PacWest that they deemed relevant;

budget information for the fiscal year ending December 31, 2015 prepared by Square 1's management and guidance from senior management of Square 1 for the years thereafter;

publicly available analyst earnings estimates for Square 1 for the years ending December 31, 2015 and 2016;

publicly available analyst earnings estimates for PacWest for the years ending December 31, 2015 and 2016;

the pro forma financial impact of the merger on PacWest based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies discussed with Square 1's senior management;

a comparison of certain financial and other information for Square 1 and PacWest with similar publicly available information for certain other publicly traded commercial banks;

the financial terms of certain other recent merger and acquisition transactions in the banking sector;

the current market environment generally and the banking environment in particular; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria as they considered relevant.



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Sandler O'Neill also discussed with certain members of Square 1's senior management the business, financial condition, results of operations and prospects of Square 1 and held similar discussions with the senior management of PacWest regarding the business, financial condition, results of operations and prospects of PacWest.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources, that was provided to them by Square 1 or its representatives or that was otherwise reviewed by them and they assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill further relied on the assurances of senior management of Square 1 that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading in any material respect. Sandler O'Neill was not asked to, and did not, undertake an independent verification of any of such information and did not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Square 1 or PacWest or any of their respective subsidiaries. Sandler O'Neill did not review any individual credit files of Square 1 or PacWest or make an independent evaluation of the adequacy of the allowance for loan losses of Square 1 or PacWest, and assumed, with Square 1's consent, that the respective allowances for loan losses for both Square 1 and PacWest were adequate to cover any such losses.

In preparing its analyses, Sandler O'Neill used publicly available earnings estimates and guidance from senior management of Square 1, which senior management of Square 1 confirmed reflected the best judgments of management of the future financial performance of Square 1. With respect to PacWest, PacWest indicated to Sandler O'Neill its policy of not providing earnings guidance. Accordingly, Sandler O'Neill used publicly available analyst earnings estimates and consensus long-term growth estimates. Sandler O'Neill also used in its analyses certain forecasts of transaction costs, purchase accounting adjustments and expected cost savings. These figures, which included a limited amount of cost savings in the transaction, were estimated by Sandler O'Neill and reviewed with senior management of Square 1. With respect to the earnings guidance provided to Sandler O'Neill by Square 1 management, Sandler O'Neill assumed that it had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of such management, and Sandler O'Neill assumed that such performance would be achieved. Sandler O'Neill expressed no opinion as to such earnings guidance or the assumptions on which it was based. Sandler O'Neill also assumed that there had been no material change in the respective assets, financial condition, results of operations, business or prospects of Square 1 or PacWest since the date of the most recent financial data made available to them as of the date of their opinion.

Sandler O'Neill assumed in all respects material to its analysis that Square 1 and PacWest will remain as going concerns for all periods relevant to its analyses, that the parties to the merger agreement will comply with all material terms of the merger agreement, that all of the representations and warranties contained in the merger agreement are true and correct, that each party to the merger agreement will perform all of the covenants required to be performed by such party under the agreement and that the conditions precedent in the merger agreement will not be waived, that no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Square 1, PacWest or the merger, and that the merger will be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements. Sandler O'Neill's opinion was approved by its fairness opinion committee. Finally, Sandler O'Neill expressed no opinion as to the legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

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In rendering its opinion, Sandler O'Neill performed a variety of financial analyses. The summary below is not a complete description of all the analyses underlying Sandler O'Neill's opinion or the presentation made by Sandler O'Neill to the Square 1 board of directors, but is a summary of all material analyses performed and presented by Sandler O'Neill. The summary includes information presented in tabular format.

**In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Square 1 or PacWest and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Square 1 and PacWest and the companies to which they are being compared. In arriving at its opinion, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, it made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinions; rather, Sandler O'Neill made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Square 1, PacWest and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the board of directors of Square 1 at its March 1, 2015, meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of Square 1 common stock or the prices at which Square 1 common stock or PacWest common stock may be sold at any time. The analyses of Sandler O'Neill and its opinion were among a number of factors taken into consideration by the Square 1 board of directors in making its determination to approve the merger agreement and the analyses described below should not be viewed as determinative of the decision of the Square 1 board of directors or management with respect to the fairness of the merger.

**Summary of Proposal.** Sandler O'Neill reviewed the financial terms of the proposed transaction. As described in the merger agreement, Square 1 stockholders will receive in exchange for each share of Square 1 common stock 0.5997 of a share of PacWest common stock. Using PacWest's February 27, 2015 closing stock price of \$45.84, and based upon 29,607,835 common shares outstanding, including all 30,000 outstanding warrants with a weighted average exercise price of \$10.00 per share to be exercised prior to closing, 437,788 outstanding Square 1 RSUs that vest, according to their terms, upon a change in control, and options to purchase 1,096,060 shares of Square 1 common stock with a weighted average exercise price of \$6.13 per share that will be cashed out by PacWest at closing, Sandler O'Neill calculated a per share consideration of \$27.49 and aggregate consideration of approximately

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\$849.4 million. Based upon financial information for Square 1 as of and for the twelve months ended December 31, 2014, Sandler O'Neill calculated the following transaction ratios:

Transaction Value / Book Value Per Share:	262%
Transaction Value / Tangible Book Value Per Share:	263%
Transaction Value / LTM Earnings Per Share:	23.3x
Core Deposit Premium(1):	19.8%
30-day Market Premium(2):	19.3%

(1) Tangible book premium to core deposits calculated as (deal value – tangible equity) / (core deposits); Core Deposits defined as deposits, less time deposit accounts with balances over \$100,000, foreign deposits and unclassified deposits.

(2) Based upon the closing stock price on January 27, 2015.

**Stock Trading History.** Sandler O'Neill reviewed the history of the publicly reported trading prices of Square 1 common stock for the period from Square 1's initial public offering to February 27, 2015, and PacWest common stock for the one year period ending February 27, 2015. Sandler O'Neill then compared the relationship between the movements in the price of Square 1 common stock and PacWest common stock, respectively, to movements in their respective peer groups as well as certain stock indices. During the period since Square 1's initial public offering, Square 1 common stock outperformed its comparable peers (which group consists of the banks set forth under "Comparable Company Analysis" below) as well as the NASDAQ Bank Index and the S&P 500 Index. During the one-year period ending February 27, 2015, PacWest common stock outperformed its comparable peers (which group consists of the banks set forth under "Comparable Company Analysis" below) and the NASDAQ Bank Index but underperformed the S&P 500 Index.

**Square 1's Stock Performance Since IPO**

	Beginning Index Value March 26, 2014	Ending Index Value February 27, 2015
Square 1	100%	153.8%
Square 1 Peers(1)	100%	96.5%
NASDAQ Bank Index	100%	98.3%
S&P 500 Index	100%	113.6%

(1) Group comprised of regional high performing banks in high growth geographic markets and niche businesses; Square 1 has historically used this group for comparable purposes. See "Comparable Company Analysis" below for a listing of such banks.

Table of Contents**PacWest's One Year Stock Performance**

	<b>Beginning Index Value February 27, 2014</b>	<b>Ending Index Value February 27, 2015</b>
PacWest	100%	107.5%
PacWest Peers(1)	100%	97.4%
NASDAQ Bank Index	100%	102.2%
S&P 500 Index	100%	113.5%

(1)

Group comprised of 20 commercial banks with assets between \$12 billion and \$24 billion, excluding companies that are closely held by insiders. See "Comparable Company Analysis" below for a listing of such commercial banks.

**Review of Analyst Recommendations and Estimates.** Sandler O'Neill reviewed publicly available research analyst estimates and recommendations to outline the current analyst views of Square 1. The analysis compared published recommendations and earnings per share estimates for the years ending December 31, 2015 and 2016. As of February 27, 2015, three research analysts had published recommendations for Square 1, composed of one "market perform" recommendation and two "buy" recommendations. The table below sets forth the median of the estimates:

2015 earnings per share	\$ 1.25
2016 earnings per share	\$ 1.45

Sandler O'Neill also reviewed publicly available research analyst estimates and recommendations to outline the current analyst views of PacWest. The analysis compared published recommendations and earnings per share estimates for the years ending December 31, 2015 and 2016. As of February 27, 2015, nine research analysts had published recommendations for PacWest, composed of two "equal weight" or "sector perform" recommendations and seven "outperform" or "buy" recommendations. The table below sets forth the median of the estimates:

2015 earnings per share	\$ 2.88
2016 earnings per share	\$ 3.10

**Comparable Company Analysis.** Sandler O'Neill used publicly available information to compare selected financial information for Square 1 with a group of financial institutions selected by Sandler O'Neill which Square 1 has historically used for comparable purposes. The Square 1 peer group consisted of regional high performing banks in high growth markets and niche businesses. The Square 1 peer group consisted of the following companies:

Bridge Capital Holdings  
 First Republic Bank  
 Signature Bank  
 SVB Financial Group  
 Texas Capital Bancshares, Inc.

The analysis compared publicly available financial information for Square 1 with the comparable data for the Square 1 peer group as of or for the twelve months ended December 31, 2014, with pricing data as of February 27, 2015. The table below sets forth the data for Square 1 and the median and mean data for the Square 1 peer group.

Table of Contents**Square 1 Comparable Company Analysis**

	<b>Square 1</b>	<b>Peer Group Median</b>	<b>Peer Group Mean</b>
Total assets (in millions)	\$ 3,095	\$ 27,319	\$ 26,546
Tangible common equity/Tangible assets	9.77%	8.27%	8.50%
Total risk-based capital ratio	14.95%	13.92%	13.40%
LTM Return on average assets	1.25%	1.07%	1.17%
LTM Return on avg. tangible common equity	12.8%	11.6%	11.7%
Net interest margin	4.07%	3.32%	3.60%
Efficiency ratio	49.6%	55.2%	53.6%
Loan loss reserves/Gross loans	1.70%	0.89%	1.00%
Non-performing assets(1)/Total assets	0.56%	0.23%	0.33%
Net charge-offs/Average loans	0.68%	0.05%	0.12%
Price/Tangible book value	264%	215%	206%
Price/2015 Earnings per share(2)	22.1x	18.1x	18.2x
Price/2016 Earnings per share(2)	19.1x	15.7x	15.1x
Current dividend yield	0.0%	0.0%	0.2%
Market value (in millions)	\$ 799	\$ 6,259	\$ 4,590

(1) Nonperforming assets include nonaccrual loans and leases, renegotiated loans and leases and real estate owned.

(2) Based on median analyst estimates.

Sandler O'Neill used publicly available information to perform a similar analysis for PacWest and a group of financial institutions as selected by Sandler O'Neill. The PacWest peer group consisted of 20 commercial banks with assets between \$12 billion and \$24 billion, excluding companies that were closely held by insiders and companies that were merger targets. The PacWest peer group consisted of the following companies:

BancorpSouth, Inc.	Prosperity Bancshares, Inc.
Bank of Hawaii Corporation	TCF Financial Corporation
BankUnited, Inc.	Texas Capital Bancshares, Inc.
Commerce Bancshares, Inc.	Trustmark Corporation
F.N.B. Corporation	UMB Financial Corporation
Fulton Financial Corporation	Umpqua Holdings Corporation
Hancock Holding Company	United Bankshares, Inc.
IBERIABANK Corporation	Valley National Bancorp
MB Financial, Inc.	Webster Financial Corporation
PrivateBancorp, Inc.	Wintrust Financial Corporation

The analysis compared publicly available financial information for PacWest with the comparable data for the PacWest peer group as of or for the twelve months ended December 31, 2014, with pricing data as of February 27, 2015. The table below sets forth the data for PacWest and the median and mean data for the PacWest peer group.





Table of Contents**PacWest Comparable Company Analysis**

	PacWest	Peer Group Median	Peer Group Mean
Total assets (in millions)	\$ 16,235	\$ 17,125	\$ 17,375
C&I Loans/Total Loans(1)	36.43%	21.67%	25.24%
Tangible common equity/Tangible assets	12.20%	8.39%	8.30%
Leverage ratio	12.34%	9.96%	9.57%
Total risk-based capital ratio	16.07%	13.62%	13.67%
LTM Return on average assets	1.27%	0.93%	0.95%
LTM Return on average equity	6.11%	7.62%	8.40%
Net interest margin	5.95%	3.59%	3.65%
Efficiency ratio	41.5%	62.9%	61.5%
Loan loss reserves/Gross loans	0.71%	1.02%	1.03%
Reported non-performing assets/Total assets	0.78%	0.63%	0.93%
Net charge-offs/Average loans	0.02%	0.13%	0.15%
Price/Tangible book value	267%	175%	188%
Price/2015 Earnings per share(2)	16.1x	14.8x	14.9x
Price/2016 Earnings per share(2)	15.0x	13.2x	13.4x
Current dividend yield	4.4%	2.2%	2.3%
Market value (in millions)	\$ 4,722	\$ 2,350	\$ 2,603

(1) Based on regulatory loan data.

(2) Based on median analyst estimates.

**Analysis of Selected Merger Transactions.** Sandler O'Neill reviewed a nationwide group of comparable merger and acquisition transactions. The group consisted of 19 transactions nationwide, announced between January 1, 2010 and February 27, 2015, involving banks and thrifts, with transaction values between \$500 million and \$6 billion (the "Nationwide M&A Transactions").

The Nationwide M&A Transactions group was composed of the following transactions:

Royal Bank of Canada/ City National Corporation  
 BB&T Corporation/ Susquehanna Bancshares, Inc.  
 Sterling Bancorp / Hudson Valley Holding Corp.  
 Banner Corporation / Starbuck Bancshares, Inc.  
 CIT Group Inc. / IMB HoldCo LLC  
 First Citizens BancShares, Inc. / First Citizens Bancorporation, Inc.  
 Umpqua Holdings Corporation / Sterling Financial Corporation  
 PacWest Bancorp / CapitalSource Inc.  
 MB Financial, Inc. / Taylor Capital Group, Inc.  
 Banco de Credito e Inversiones SA / CM Florida Holdings, Inc.  
 Columbia Banking System, Inc. / West Coast Bancorp  
 FirstMerit Corporation / Citizens Republic Bancorp, Inc.  
 M&T Bank Corporation / Hudson City Bancorp, Inc.  
 Hilltop Holdings Inc. / PlainsCapital Corporation  
 Mitsubishi UFJ Financial Group, Inc. / Pacific Capital Bancorp  
 Prosperity Bancshares, Inc. / American State Financial Corporation  
 Comerica Incorporated / Sterling Bancshares, Inc.  
 Hancock Holding Company / Whitney Holding Corporation  
 First Niagara Financial Group / NewAlliance Bancshares Inc.

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Sandler O'Neill reviewed the following multiples: transaction price to last-twelve-months earnings per share, transaction price to estimated earnings per share, transaction price to tangible book value per share, tangible book premium to core deposits, and one-day market premium. Sandler O'Neill compared the indicated transaction multiples to the median and mean multiples of the comparable transaction groups.

	Square 1 / PacWest	Mean Nationwide Transactions	Median Nationwide Transactions
Transaction value/LTM earnings per share	23.3x	15.9x	14.2x
Transaction value/Estimated earnings per share(1):	22.0x	23.8x	19.3x
Transaction value/Tangible book value per share:	263%	167%	167%
Core deposit premium(2):	19.8%	11.6%	10.2%
1-Day market premium:		27.3%	25.0%

(1) Based on median analyst estimates.

(2) Tangible book premium to core deposits calculated as (deal value – tangible equity) / (core deposits); Core Deposits defined as deposits, less time deposit accounts with balances over \$100,000, foreign deposits and unclassified deposits.

**Net Present Value Analysis.** Sandler O'Neill performed an analysis that estimated the net present value per share of Square 1 common stock assuming Square 1 performed in accordance with earnings estimates reviewed with management of Square 1. The analysis also assumed that Square 1's regular cash dividend remained at \$0.00 per share annually through 2018. To approximate the terminal value of Square 1 common stock at December 31, 2018, Sandler O'Neill applied price-to-earnings multiples ranging from 17.0x to 19.0x and multiples of tangible book value ranging from 205% to 230%. The terminal values were then discounted to present values using different discount rates ranging from 11.0% to 15.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Square 1 common stock. Using a 20-year normalized treasury yield of 4.00%, an equity risk premium of 5.00% and a size premium of 1.98%, Sandler O'Neill calculated a 10.98% discount rate for Square 1. As illustrated in the following tables, the analysis indicates an imputed range of values per share of Square 1 common stock of \$19.79 to \$25.48 when applying multiples of earnings to the applicable amounts indicated in the Square 1 forecasts and \$19.88 to \$25.69 when applying multiples of tangible book value to the applicable amounts indicated in the Square 1 forecasts.

### Earnings Per Share Multiples

Discount Rate	17.0x	17.5x	18.0x	18.5x	19.0x
11.0%	\$ 22.80	\$ 23.47	\$ 24.14	\$ 24.81	\$ 25.48
12.0%	22.00	22.64	23.29	23.94	24.58
12.5%	21.61	22.24	22.88	23.51	24.15
13.0%	21.23	21.85	22.48	23.10	23.72
14.0%	20.49	21.09	21.70	22.30	22.90
14.5%	20.14	20.73	21.32	21.91	22.51
15.0%	19.79	20.37	20.95	21.53	22.12

Table of Contents**Tangible Book Value Multiples**

<b>Discount Rate</b>	<b>205%</b>	<b>215%</b>	<b>220%</b>	<b>225%</b>	<b>230%</b>
11.0%	\$ 22.90	\$ 24.02	\$ 24.58	\$ 25.14	\$ 25.69
12.0%	22.09	23.17	23.71	24.25	24.79
12.5%	21.70	22.76	23.29	23.82	24.35
13.0%	21.32	22.36	22.88	23.40	23.92
14.0%	20.58	21.59	22.09	22.59	23.09
14.5%	20.23	21.21	21.71	22.20	22.69
15.0%	19.88	20.85	21.33	21.82	22.30

Sandler O'Neill also considered and discussed with the Square 1 board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming Square 1's net income varied from 25% above forecasts to 25% below forecasts. This analysis resulted in the following range of per share values for Square 1 common stock, using the same price-to-earnings multiples of 17.0x to 19.0x and a discount rate of 10.98%.

**Earnings Per Share Multiples**

<b>Annual Budget Variance</b>	<b>17.0x</b>	<b>17.5x</b>	<b>18.0x</b>	<b>18.5x</b>	<b>19.0x</b>
(25.0)%	\$ 17.11	\$ 17.61	\$ 18.12	\$ 18.62	\$ 19.12
(20.0)%	18.25	18.79	19.33	19.86	20.40
(15.0)%	19.39	19.96	20.53	21.10	21.67
(10.0)%	20.53	21.14	21.74	22.35	22.95
(5.0)%	21.67	22.31	22.95	23.59	24.22
0.0%	22.81	23.49	24.16	24.83	25.50
5.0%	23.96	24.66	25.36	26.07	26.77
10.0%	25.10	25.83	26.57	27.31	28.05
15.0%	26.24	27.01	27.78	28.55	29.32
20.0%	27.38	28.18	28.99	29.79	30.60
25.0%	28.52	29.36	30.20	31.04	31.87

Sandler O'Neill also performed an analysis that estimated the net present value per share of PacWest common stock assuming that PacWest performed in accordance with publicly available analyst earnings estimates for the years ending December 31, 2015 and 2016, and thereafter grew at the Bloomberg annual long-term growth rate of 7%. To approximate the terminal value of PacWest common stock at December 31, 2018, Sandler O'Neill applied price-to-earnings multiples ranging from 15.0x to 17.5x and multiples of tangible book value ranging from 240% to 290%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 12.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of PacWest common stock. As illustrated in the following tables, the analysis indicates an imputed range of values per share of PacWest common stock of \$40.05 to \$50.62 when applying earnings multiples to the applicable amounts indicated in the PacWest analyst forecasts and \$39.54 to \$51.50 when applying multiples of tangible book value to the applicable amounts indicated in the PacWest analyst forecasts.

Table of Contents**Earnings Per Share Multiples**

<b>Discount Rate</b>	<b>15.0x</b>	<b>15.5x</b>	<b>16.0x</b>	<b>16.5x</b>	<b>17.0x</b>	<b>17.5x</b>
9.0%	\$ 44.35	\$ 45.61	\$ 46.86	\$ 48.11	\$ 49.37	\$ 50.62
9.5%	43.59	44.83	46.06	47.29	48.52	49.75
10.0%	42.85	44.06	45.27	46.48	47.69	48.90
10.5%	42.13	43.32	44.50	45.69	46.88	48.07
11.0%	41.42	42.59	43.75	44.92	46.09	47.25
11.5%	40.73	41.87	43.02	44.16	45.31	46.45
12.0%	40.05	41.18	42.30	43.43	44.55	45.68

**Tangible Book Value Multiples**

<b>Discount Rate</b>	<b>240%</b>	<b>250%</b>	<b>260%</b>	<b>270%</b>	<b>280%</b>	<b>290%</b>
9.0%	\$ 43.78	\$ 45.32	\$ 46.87	\$ 48.41	\$ 49.96	\$ 51.50
9.5%	43.03	44.55	46.07	47.58	49.10	50.61
10.0%	42.30	43.79	45.28	46.77	48.26	49.75
10.5%	41.59	43.05	44.51	45.97	47.44	48.90
11.0%	40.89	42.33	43.76	45.20	46.63	48.07
11.5%	40.21	41.62	43.03	44.44	45.85	47.26
12.0%	39.54	40.92	42.31	43.69	45.08	46.46

Sandler O'Neill also considered and discussed with the Square 1 board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming PacWest's net income varied from 25% above analyst forecasts to 25% below analyst forecasts. This analysis resulted in the following range of per share values for PacWest common stock, using the same price-to-earnings multiples of 15.0x to 17.5x and a discount rate of 9.04%, based on a 4.00% 20-year normalized treasury yield, a two-year beta of PacWest common stock of 1.008x, and an equity risk premium of 5.00%.

**Earnings Per Share Multiples**

<b>Annual Budget Variance</b>	<b>15.0x</b>	<b>15.5x</b>	<b>16.0x</b>	<b>16.5x</b>	<b>17.0x</b>	<b>17.5x</b>
(25.0)%	\$ 34.90	\$ 35.84	\$ 36.78	\$ 37.72	\$ 38.66	\$ 39.59
(20.0)%	36.78	37.78	38.78	39.78	40.78	41.79
(15.0)%	38.66	39.72	40.78	41.85	42.91	43.98
(10.0)%	40.53	41.66	42.79	43.91	45.04	46.17
(5.0)%	42.41	43.60	44.79	45.98	47.17	48.36
0.0%	44.29	45.54	46.79	48.05	49.30	50.55
5.0%	46.17	47.48	48.80	50.11	51.43	52.74
10.0%	48.05	49.42	50.80	52.18	53.56	54.93
15.0%	49.92	51.36	52.80	54.24	55.68	57.12
20.0%	51.80	53.30	54.81	56.31	57.81	59.31
25.0%	53.68	55.25	56.81	58.38	59.94	61.51

In connection with its analyses, Sandler O'Neill considered and discussed with the Square 1 board of directors how the present value analyses would be affected by changes in the underlying assumptions. Sandler O'Neill noted that the net present value analysis is a widely used valuation

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methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

**Pro Forma Merger Analysis.** Sandler O'Neill analyzed certain potential pro forma effects of the merger, based on the following assumptions: (i) the merger closes in the fourth calendar quarter of 2015; (ii) 100% of the outstanding shares of Square 1 common stock are converted into PacWest common stock at the fixed exchange ratio of 0.5997; (iii) all outstanding Square 1 options will be cashed out by PacWest at closing; (iv) all outstanding Square 1 warrants will be exercised prior to closing; (v) all outstanding Square 1 RSUs will vest upon a change-in-control and be cashed out by PacWest at closing; and (vi) PacWest's closing stock price of \$45.84 on February 27, 2015. Sandler O'Neill also incorporated the following assumptions: (a) 2015 and 2016 estimated earnings per share forecasts for both Square 1 and PacWest based on median research consensus estimates; (b) replacing a portion of PacWest's CD funding with Square 1's off-balance sheet deposits of \$400 million in 2016, \$200 million in 2017 and \$200 million in 2018, at a cost savings of 0.75%; (c) purchase accounting adjustments of a credit mark on loans equal to Square 1's fourth quarter 2014 allowance for loan losses (1.70% of gross loans), thereby reducing Square 1's stand-alone provision expense by 25% annually, and no interest rate marks; (d) cost savings equal to 20% of Square 1's forecasted non-interest expense, 100% realized in the first year; (e) transaction costs and expenses of approximately \$35 million, \$30 million of which is related to Square 1 and expensed pre-closing; (f) a 1.50% core deposit premium on \$1.95 billion of core deposits; and (g) a tax rate of 40% on pro forma adjustments. The analysis indicated that the merger would be less than 1% dilutive to PacWest's earnings per share in 2016 (excluding transaction expenses in 2015) and less than 2% dilutive to tangible book value per share at close.

In connection with this analyses, Sandler O'Neill considered and discussed with the Square 1 board of directors how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

**Sandler O'Neill's Relationship.** Sandler O'Neill acted as the financial advisor to the Square 1 board of directors in connection with the merger and will receive a transaction fee of approximately \$7.64 million in connection with the merger, contingent on the closing of the merger. Sandler O'Neill has also received a fee of \$750,000 in connection with the delivery of its fairness opinion, which will be credited in full against the transaction fee that becomes due and payable upon the closing of the merger. Square 1 has also agreed to reimburse Sandler O'Neill for its reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employees and agents against certain expenses and liabilities, including liabilities under applicable federal or state law.

In the past, Sandler O'Neill has provided certain other investment banking services for Square 1 and has received compensation for such services. Most recently, Sandler O'Neill acted as a lead book running underwriter in connection with Square 1's initial public offering of common stock in March 2014 as well as financial advisor in Square 1's fall 2012 private capital raise, placement agent in Square 1's May 2010 private placement, and placement agent in Square 1's de novo capital raise in August 2005. In the past two years, Sandler O'Neill has received compensation of \$5.33 million from Square 1 for these services. In the past two years, Sandler O'Neill has not performed any services for PacWest for which it has received or is entitled to compensation. In the ordinary course of Sandler O'Neill's business as a broker-dealer, it may also purchase securities from and sell securities to Square 1 and PacWest and their affiliates. It may also actively trade the securities of Square 1 and PacWest for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

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**Certain Square 1 Unaudited Prospective Financial Information**

Square 1 does not as a matter of course make public projections as to future performance, revenues, earnings or other financial results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Square 1 is including in this proxy statement/prospectus certain unaudited prospective financial information that was made available to Square 1's financial advisor and to PacWest in connection with the merger. The inclusion of this information should not be regarded as an indication that any of Square 1, PacWest, Sandler O'Neill, their respective representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results, or that it should be construed as financial guidance, and it should not be relied on as such.

Square 1's management approved the use of the following unaudited prospective financial information. This information was prepared solely for internal use and is subjective in many respects. While presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to Square 1's business, all of which are difficult to predict and many of which are beyond Square 1's control. The unaudited prospective financial information reflects both assumptions as to certain business decisions that are subject to change and, in many respects, subjective judgment, and thus is susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. Square 1 can give no assurance that the unaudited prospective financial information and the underlying estimates and assumptions will be realized. In addition, since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. Actual results may differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited prospective financial information to be inaccurate include, but are not limited to, risks and uncertainties relating to Square 1's business, industry performance, general business and economic conditions, customer requirements, competition and adverse changes in applicable laws, regulations or rules. For other factors that could cause actual results to differ, please see the sections entitled "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements."

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Square 1's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. Square 1 can give no assurance that, had the unaudited prospective financial information been prepared either as of the date of the merger agreement or as of the date of this proxy statement/prospectus, similar estimates and assumptions would be used. Square 1 does not intend to, and disclaims any obligation to, make publicly available any update or other revision to the unaudited prospective financial information to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions. The unaudited prospective financial information does not take into account the possible financial and other effects on Square 1 of the merger and does not attempt to predict or suggest future results of the combined company. The unaudited prospective financial information does not give effect to the merger, including the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger,

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the potential synergies that may be achieved by the combined company as a result of the merger, the effect on Square 1 of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect of any business or strategic decisions or actions which would likely have been taken if the merger agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the unaudited prospective financial information does not take into account the effect on Square 1 of any possible failure of the merger to occur. None of Square 1, PacWest, Sandler O'Neill or their respective affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any stockholder of Square 1 or other person regarding Square 1's ultimate performance compared to the information contained in the unaudited prospective financial information or that the forecasted results will be achieved. The inclusion of the unaudited prospective financial information herein should not be deemed an admission or representation by Square 1, PacWest, Sandler O'Neill or any other person that it is viewed as material information of Square 1, particularly in light of the inherent risks and uncertainties associated with such forecasts. The summary of the unaudited prospective financial information included below is not being included to influence your decision whether to vote in favor of the merger proposal or any other proposal to be considered at the special meeting, but is being provided solely because it was made available to Square 1's financial advisor in connection with the merger and to PacWest in connection with PacWest's due diligence of Square 1.

In light of the foregoing, and considering that the special meeting will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, Square 1 stockholders are cautioned not to place unwarranted reliance on such information, and Square 1 urges all Square 1 stockholders to review Square 1's most recent SEC filings for a description of Square 1's reported financial results. See "Where You Can Find More Information."

The following table presents Square 1 unaudited prospective financial information for the years ending December 31, 2015 through 2018 provided to Sandler O'Neill and PacWest and discussed by Square 1 with each such party and, in the case of Sandler O'Neill, used in connection with its fairness opinion to the Square 1 board of directors. The earnings per share information consists of IBES median consensus estimates for fiscal years 2015 and 2016 and management approved extrapolation for fiscal years 2017 and 2018 based on an assumed growth rate.

	Year Ending December 31,			
	2015	2016	2017	2018
	(\$ in millions, except per share amounts)			
Earnings per share	\$ 1.25	\$ 1.45	\$ 1.72	\$ 2.04
Net interest income	125.8	143.3	171.2	201.1
Noninterest income	27.8	32.8	37.1	43.4
Noninterest expense	81.9	93.1	110.1	128.1
Net income	38.5	44.7	53.0	62.9
Total assets	3,621.8	4,225.4	4,969.3	5,786.5

**PacWest's Reasons for the Merger**

In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the PacWest board of directors consulted with PacWest senior management and advisors and considered a number of factors, including the following material factors:

each of PacWest's, Square 1's and the combined company's business, operations, financial condition, asset quality, earnings and prospects;



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the potential to grow core deposits and the improvement in PacWest's deposit and liquidity position resulting from the replacement of existing PacWest time deposits with Square 1's existing core deposits;

the ability to further complement PacWest's existing specialty lending practices with Square 1's lending focus on venture-backed technology and science companies;

Square 1's diverse loan portfolio across industries, stages, geography and size;

its belief that PacWest will be better positioned for rising interest rates due to the high percentage of variable rate loans in Square 1's loan portfolio and high percentage of noninterest-bearing deposits;

the ability to increase PacWest's presence in the dynamic technology and life-sciences markets;

Square 1's seasoned bankers, who are expected to remain with PacWest, and their extensive network and proven track record in lending to venture-backed companies;

its review and discussions with PacWest's management and advisors concerning the due diligence examination of Square 1;

management's expectation that PacWest will continue to have a strong capital position upon completion of the transaction;

its review with its legal advisor, Sullivan & Cromwell LLP, of the merger agreement and other agreements, including the provisions of the merger agreement designed to enhance the probability that the transaction will be completed;

the synergies potentially available in the proposed transaction which create the opportunity for PacWest to have superior future earnings and prospects compared to PacWest's earnings and prospects on a stand-alone basis;

the potential risks associated with achieving anticipated cost synergies and successfully integrating Square 1's business, operations and workforce with those of PacWest;

PacWest's past record of integrating acquisitions and of realizing projected financial goals and benefits of acquisitions;

the potential risk of diverting management attention and resources from the operation of PacWest's business and towards the completion of the merger and the integration of Square 1;

the regulatory and other approvals required in connection with the merger and the expected likelihood that such regulatory approvals will be received in a reasonably timely manner and without the imposition of unacceptable conditions; and

the possibility of litigation challenging the merger, and PacWest's belief that any such litigation would be without merit.

The foregoing discussion of the information and factors considered by the PacWest board of directors is not intended to be exhaustive, but includes the material factors considered by the PacWest board of directors. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the PacWest board of directors did not quantify or assign any relative weights

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to the factors considered, and individual directors may have given different weights to different factors. The PacWest board of directors considered all these factors as a whole, including discussions with, and questioning of, PacWest's senior management and PacWest's advisors, and overall considered the factors to be favorable to, and to support its determination to approve entering into the merger agreement.

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This explanation of PacWest's reasons for the merger and other information presented in this section is forward-looking in nature and should be read in light of the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

PacWest's board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above, such as assumptions regarding enhanced business prospects, anticipated cost savings and earnings accretion/dilution. The PacWest board of directors concluded, however, that the potential positive factors outweighed the potential risks of completing the transaction.

**Management and Board of Directors of PacWest After the Merger**

On or prior to the effective time, the PacWest board of directors will increase the number of directors constituting the PacWest board of directors by one and fill such vacancy by a current director of Square 1 selected by Square 1 and reasonably acceptable to PacWest to be effective immediately following the effective time. The officers of PacWest immediately prior to the effective time will be the officers of the surviving corporation until the earlier of their resignation or removal or until their respective successors are duly appointed and qualified.

**Interests of Square 1 Directors and Executive Officers in the Merger**

In considering the recommendation of the Square 1 board of directors with respect to the merger, Square 1 stockholders should be aware that the executive officers and directors of Square 1 have certain interests in the merger that may be different from, or in addition to, the interests of Square 1 stockholders generally. The Square 1 board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated thereby and making its recommendation that Square 1 stockholders vote to approve the Square 1 merger proposal. These interests are described in further detail below.

***Treatment of Outstanding Equity Awards***

*Square 1 Stock Options.* At the effective time, each outstanding Square 1 stock option, whether vested or unvested, will be cancelled and will entitle the holder of such option to receive an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such option and (ii) the excess, if any, of (A) the product of (1) the PacWest Average Closing Price and (2) 0.5997 over (B) the exercise price per share of Square 1 common stock underlying such option, less any applicable taxes to be withheld with respect to such payment.

*Square 1 RSUs.* At the effective time, each outstanding Square 1 RSU will be cancelled and will entitle the holder to receive an amount in cash equal to the product of (i) the number of shares of Square 1 common stock subject to such Square 1 RSU and (ii) the product of (A) the PacWest Average Closing Price and (B) 0.5997, less any applicable taxes to be withheld with respect to such payment.

For an estimate of the amounts that would become payable to each of Square 1's named executive officers in settlement of their unvested equity-based awards, see "Quantification of Potential Payments and Benefits to Square 1's Named Executive Officers" below. We estimate that the aggregate amount that would become payable to Square 1's other four executive officers, who are not named executive officers, in settlement of their unvested equity awards, assuming the effective time were May 31, 2015, and based on a price per share of Square 1 common stock of \$25.76 (the average closing price of a share of Square 1 common stock on the five business days following the announcement of the merger), is \$2,253,740. We estimate that the aggregate amount that would become payable to all of Square 1's non-employee directors in settlement of their unvested equity-based awards, assuming the

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effective time were May 31, 2015, and based on a price per share of Square 1 common stock of \$25.76, is \$679,359.

***Letter Agreements and Employment Agreements***

*New Letter Agreements with PacWest*

In connection with the execution of the merger agreement, PacWest entered into letter agreements with Douglas Bowers, Samir Bhaumik, Diane Earle, Judith Erwin and Frank Tower. In consideration for certain retention awards and other benefits described below, the letter agreements supersede each of the foregoing executive officers' employment agreements with Square 1, which will terminate upon the consummation of the merger.

*Douglas Bowers.* The letter agreement with Mr. Bowers provides that, for six months following the consummation of the merger, he will serve in the position of president of the businesses that comprised Square 1 Bank prior to the merger. He will be entitled to an aggregate base salary of \$300,000 for his services during this period and an annual bonus for 2015, which will be prorated in the event his employment terminates prior to December 31, 2015.

In the absence of the letter agreement with PacWest, Mr. Bowers would have been entitled to a severance payment upon a qualifying termination of employment following consummation of the merger equal to the product of (a) three and (b) the sum of his annual base salary and the average of his annual bonuses over the three years preceding the consummation of the merger. In consideration for the termination of Mr. Bowers' employment agreement with Square 1, including rights to any severance benefits thereunder, he will receive a cash retention award on the closing date of the merger of \$4,140,000, which is equal to the change-in-control severance payment described above (except that the portion of such severance payment that would have been based on a three-year average annual bonus is based on his current target annual bonus in order to align it with severance arrangements with the other executive officers discussed below). In addition, Mr. Bowers will receive a cash retention award of \$500,000 if he remains employed through the end of the six-month retention period or experiences an earlier termination of employment due to death, disability, involuntary termination without cause or resignation for good reason. Mr. Bowers will receive an additional cash retention award of \$390,000 if the Square 1 Bank unit achieves annualized loan growth of 18% or more and annualized deposit growth of 18% or more during the retention period, subject to his continued employment through the end of the six-month retention period or earlier termination of employment due to death, disability, involuntary termination without cause or resignation for good reason.

Notwithstanding the termination of Mr. Bowers' employment agreement, the restrictive covenants contained therein concerning competition, solicitation of customers and employees and disclosure of confidential information are incorporated into Mr. Bowers' letter agreement with PacWest. In addition, Mr. Bowers is required to execute a release of claims in favor of PacWest in order to receive accelerated vesting of his retention awards in connection with a qualifying termination of employment.

*Other Executive Officers.* The letter agreements with Samir Bhaumik, Diane Earle, Judith Erwin and Frank Tower provide that, following the consummation of the merger, each will serve in the following positions with respect to the Square 1 Bank unit of PacWest: Mr. Bhaumik, Executive Vice President, Banking; Ms. Earle, Executive Vice President, Chief Credit Officer; Ms. Erwin, Executive Vice President, Strategic Business Activities; and Mr. Tower, Executive Vice President, Banking. For their services following consummation of the merger, each of the foregoing executive officers will be entitled to an annual base salary of the following amounts: Mr. Bhaumik, \$280,000; Ms. Earle, \$255,000; Ms. Erwin, \$275,000; and Mr. Tower, \$250,000. Each of the foregoing executive officers will also be entitled to an annual target bonus opportunity equal to 80% of his or her respective annual base salary.

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In the absence of the letter agreements with PacWest, each of the foregoing executive officers would have been entitled (whether under their existing employment agreements with Square 1 or amendments to their existing employment agreements with Square 1 that were anticipated prior to execution of the letter agreements) to a severance payment upon a qualifying termination of employment following consummation of the merger equal to the product of (a) two and (b) the sum of the executive officer's annual base salary and annual target bonus opportunity. In consideration for the termination of the employment agreements with Square 1, including rights to any severance benefits thereunder, each of the foregoing executive officers will receive a cash retention award on the closing date of the merger in the following amounts: Mr. Bhaumik, \$335,000; Ms. Earle, \$310,000; Ms. Erwin, \$330,000; and Mr. Tower, \$300,000. Each cash retention award is equal to approximately 1/3 of the value of the change-in-control severance payment described above. In addition, as soon as practicable following the consummation of the merger, each of the foregoing executive officers will receive a restricted stock award with respect to a number of shares of PacWest common stock determined by dividing the following amounts by the closing price of a share of PacWest common stock on the grant date: Mr. Bhaumik, \$675,000; Ms. Earle, \$610,000; Ms. Erwin, \$660,000; and Mr. Tower, \$600,000. Each of the foregoing amounts is equal to approximately two-thirds of the value of the change-in-control severance payment described above. The restricted stock awards will vest, subject to the executive officer's continued employment, in equal installments on the second and third anniversaries of the closing date of the merger, or upon an earlier termination of employment due to death, disability, involuntary termination without cause or resignation for good reason.

Notwithstanding the termination of the foregoing executive officers' employment agreements, the restrictive covenants contained therein concerning competition, solicitation of customers and employees and disclosure of confidential information are incorporated into their respective letter agreements with PacWest. In addition, each is required to execute a release of claims in favor of PacWest in order to receive accelerated vesting of his or her restricted stock award in connection with a qualifying termination of employment.

*Employment Agreements with Square 1*

Square 1 is currently party to employment agreements with each of Jason Kranack, Patrick Oakes and Gregory Thompson. These employment agreements provide for, upon an involuntary termination without cause or resignation for good reason, a lump sum cash severance payment equal to the product of (a) two and (b) the sum of the executive officer's annual base salary and annual target bonus opportunity. Based on the current annual base salaries and annual target bonus opportunities of Messrs. Kranack, Oakes and Thompson, we estimate that their severance payments would be \$792,000, \$936,000 and \$900,000, respectively. The foregoing severance payments are subject to the execution of a release of claims in favor of Square 1. In addition, Messrs. Kranack, Oakes and Thompson are subject to restrictive covenants concerning competition, solicitation of customers and employees and disclosure of confidential information.

*2015 Annual Bonuses*

Any employee of Square 1 (including the executive officers) who experiences a severance qualifying termination of employment following consummation of the merger will be eligible for an annual bonus for 2015. In the event that the applicable employee's termination of employment occurs during 2015, such bonus will be prorated for the portion of 2015 that elapsed prior to the date of termination.

For an estimate of the amounts that would become payable to each of Square 1's named executive officers in respect of their prorated 2015 annual bonuses, see "Quantification of Potential Payments and Benefits to Square 1's Named Executive Officers" below. We estimate that the aggregate amount that would become payable to Square 1's four executive officers that are not included below under

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"Quantification of Potential Payments and Benefits to Square 1's Named Executive Officers" in respect of their prorated 2015 annual bonuses if the effective time were May 31, 2015, they each experienced a termination of employment at such time, and assuming the bonus is paid based on each executive officer's target opportunity, is \$335,027.

***Indemnification and Insurance***

Pursuant to the terms of the merger agreement, following the effective time, PacWest has agreed to indemnify present and former directors and officers of Square 1 in connection with any claim arising out of actions or omissions occurring at or prior to the effective time to the fullest extent permitted under law as described in "The Merger Agreement Indemnification and Directors' and Officers' Insurance."

***Board of Directors of PacWest Bank After the Merger***

Pursuant to the merger agreement, the board of directors of PacWest will be increased by one, which vacancy will be filled by a current director of Square 1 that is selected by Square 1 and reasonably acceptable to PacWest. As of the date of this document, the director has not been selected.

***Quantification of Potential Payments to Square 1's Named Executive Officers in Connection with the Merger***

The information set forth in the table below summarizes certain compensation for each of Square 1's named executive officers that is based on or otherwise relates to the merger ("merger-based compensation") and assumes, among other things, that the named executive officers will incur a qualifying termination of employment immediately following consummation of the merger. For additional details regarding the terms of the payments described below, see the discussion under the caption "The Merger Interests of Square 1 Directors and Executive Officers in the Merger" above.

The amounts indicated below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described below, and do not reflect certain compensation actions that may occur before the completion of the merger. For purposes of calculating such amounts, we have assumed:

May 31, 2015 as the closing date of the merger; and

a termination of each named executive officer's employment by the combined company without cause or as a result of the executive's resignation for good reason immediately following consummation of the merger.

<b>Name</b>	<b>Cash \$(1)</b>	<b>Equity \$(2)</b>	<b>Total (\$)</b>
<b><i>Named Executive Officers</i></b>			
Douglas H. Bowers	4,465,026	1,536,951	6,001,977
Patrick Oakes	1,022,674	807,741	1,830,415
Judith E. Erwin	421,674	618,973	1,040,647
Frank Tower	383,340	240,186	623,526

(1) The cash amounts payable to Mr. Bowers consist of (a) a cash retention award of \$4,140,000, payable upon the closing date of the merger, and (b) a prorated annual bonus in respect of 2015, assuming it is paid based on target performance, equal to \$325,026, payable in the event of his termination of employment following the merger, each of which are payable under his letter agreement with PacWest. As described above, the cash retention award is equal to the change-in-control severance payment to which he would have been entitled under his employment agreement (except that the portion of such severance payment that would have been based on three-year average annual bonus is based on his current target annual bonus in order to align it

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with severance arrangements with the other executive officers). In addition and also pursuant to his letter agreement with PacWest, Mr. Bowers will be eligible to receive (x) a cash award of \$500,000, payable either on the first business day following the expiration of the six-month retention period following consummation of the merger, subject to his continued employment through the end of the retention period, or upon an earlier termination of employment due to death, disability, involuntary termination without cause or resignation for good reason, and (y) a cash retention award of \$390,000 if the Square 1 Bank unit achieves annualized loan growth of 18% or more and annualized deposit growth of 18% or more during the retention period, subject to his continued employment through the end of the six-month retention period or earlier termination of employment due to death, disability, involuntary termination without cause or resignation for good reason. Such amounts are in consideration for his post-merger services and therefore not included in the table above.

The cash amounts payable to Mr. Oakes consist of (a) a lump sum cash severance payment equal to the product of (i) two and (ii) the sum of his annual base salary and annual target bonus opportunity, which is equal to \$936,000, and (b) a prorated annual bonus in respect of 2015, assuming it is paid based on target performance, equal to \$86,674, payable in the event of his termination of employment following the merger. The cash severance is payable under Mr. Oakes's employment agreements with Square 1, and the prorated bonus is provided in connection with the merger agreement.

The cash amounts payable to Ms. Erwin consist of (a) a cash retention award of \$330,000, payable upon the closing date of the merger and (b) a prorated annual bonus in respect of 2015, assuming it is paid based on target performance, equal to \$91,674, payable in the event of her termination of employment following the merger. The cash retention award is payable under her letter agreement with PacWest, and the prorated bonus is provided pursuant to the merger agreement. As described above, the cash retention award is approximately equal to 1/3 of the value of the change-in-control severance payment to which she would have been entitled under an amendment to her employment agreement with Square 1 that was anticipated prior to the execution of the letter agreement. Under her existing employment agreement with Square 1 (which will be superseded by her letter agreement with PacWest), upon a termination of employment without cause or for good reason, she would have been entitled to severance equal to her annual base salary (\$275,000) and payment of any bonuses earned as of the date of termination.

The cash amounts payable to Mr. Tower consist of (a) a cash retention award of \$300,000, payable upon the closing date of the merger and (b) a prorated annual bonus in respect of 2015, assuming it is paid based on target performance, equal to \$83,340, payable in the event of his termination of employment following the merger. The cash retention award is payable under his letter agreement with PacWest, and the prorated bonus is provided pursuant to the merger agreement. As described above, the cash retention award is equal to 1/3 of the value of the change-in-control severance payment to which he would have been entitled under his employment agreement with Square 1. Under his existing employment agreement with Square 1 (which will be superseded by his letter agreement with PacWest), upon a termination of employment without cause or for good reason following the merger, he would have been entitled to severance equal to the product of (i) two and (ii) the sum of his annual base salary and annual target bonus opportunity, which is equal to \$900,000.

(2)

As described in more detail in "The Merger Agreement Treatment of Outstanding Square 1 Equity Awards," at the effective time, vested and unvested Square 1 stock options held by Square 1's named executive officers will be cancelled and will entitle the holder of such option to receive an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such option and (ii) the excess (if any) of (A) the product of (I) the PacWest Average Closing Price and (II) 0.5997 over (B) the exercise price per share of Square 1

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common stock underlying such option, less any applicable taxes to be withheld with respect to such payment.

In addition, at the effective time, each outstanding Square 1 RSU will be cancelled and will entitle the holder of such RSU to receive an amount in cash equal to the product of (i) the number of shares of Square 1 common stock subject to such RSU award and (ii) the product of (A) the PacWest Average Closing Price and (B) 0.5997, less any applicable taxes to be withheld with respect to such payment.

The amounts above and in the table below assume a price per share of Square 1 common stock of \$25.76 (the average closing price of shares of Square 1 common stock on the five business days following the announcement of the merger). Set forth below are the values of each type of Square 1 equity-based award that would become payable in connection with the merger. All amounts below are payable automatically as a result of the consummation of the merger.

Name	Options (\$)	Restricted Stock Units (\$)
<b>Named Executive Officers</b>		
Douglas H. Bowers	790,400	746,551
Patrick Oakes	566,550	241,191
Judith E. Erwin	355,680	263,293
Frank Tower	0	240,186

In addition, pursuant to their letter agreements with PacWest, each of Ms. Erwin and Mr. Tower are also entitled to a restricted stock award with respect to a number of PacWest common shares determined by dividing \$660,000 (for Ms. Erwin) or \$600,000 (for Mr. Tower) by the closing price of a share of PacWest common stock on the grant date. The restricted stock award will vest, subject to their continued employment, in equal installments on the second and third anniversaries of the closing date of the merger, or upon an earlier termination of employment due to death, disability, involuntary termination without cause or resignation for good reason. This award is in consideration for their post-merger services and therefore not included in the table above.

***Treatment of Square 1 Warrants***

At the effective time, each warrant to purchase shares of Square 1 common stock held by specified individuals to the extent then outstanding and not previously exercised will be cancelled and will only entitle the holder thereof to receive, as soon as reasonably practicable after the effective time, an amount in cash equal to the product of (i) the total number of shares of Square 1 common stock subject to such warrants and (ii) the excess, if any, of (A) the product of (1) the PacWest Average Closing Price and (2) 0.5997 over (B) the exercise price per share of Square 1 common stock under such warrants, less any applicable taxes required to be withheld with respect to such payment. All such warrants expire, if not previously exercised, on July 11, 2015.

**Regulatory Approvals Required for the Merger**

Completion of the merger and the bank merger by Square 1 is subject to the requirement that all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time by either party or any of its respective subsidiaries from the Federal Reserve Board, the FDIC, the CDBO and the CBNC which are necessary to consummate the merger and the bank merger, and any other consents, registrations, approvals, permits and authorizations from or with any governmental authority the failure of which to be obtained is reasonably likely to have, individually or in the aggregate, a material adverse effect on Square 1 or PacWest (measured on a scale relative to Square 1), have been made or obtained (as the case may be) and remain in full force and effect and all statutory waiting periods in respect thereof have expired. Completion of the merger and the bank



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merger by PacWest is subject to the requirement that all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time by either party or any of its respective subsidiaries from the Federal Reserve Board, the FDIC, the CDBO and the CBNC which are necessary to consummate the merger and the bank merger, all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time from any governmental authority that are required for the operation of Square 1's trust business and any other consents, registrations, approvals, permits and authorizations from or with any governmental authority the failure of which to be obtained is reasonably likely to have, individually or in the aggregate, a material adverse effect on Square 1 or PacWest (measured on a scale relative to Square 1), have been made or obtained (as the case may be) and remain in full force and effect and all statutory waiting periods in respect thereof have expired, and none of such consents, registrations, approvals, permits and authorizations contain any "materially burdensome regulatory condition". The merger agreement defines a "materially burdensome regulatory condition" to mean any condition that would reasonably be likely following the effective time to (i) have a material adverse effect with respect to either Square 1 or PacWest (measured on a scale relative to Square 1), or (ii) require PacWest, Pacific Western Bank, the combined company or the surviving bank in the bank merger to raise additional capital in an amount that would materially reduce the economic benefits of the merger to PacWest or the holders of PacWest common stock (including the Square 1 stockholders in respect of the shares of PacWest common stock received by them in the merger). Notifications and/or applications requesting approval may also be submitted to various other federal and state regulatory authorities and self-regulatory organizations. PacWest and Square 1 have agreed to use their reasonable best efforts to cooperate and use their respective reasonable best efforts to prepare and file, or in the case of PacWest cause to be filed, all documentation to effect all necessary notices, reports and other filings and to obtain all permits, consents, approvals and authorizations necessary or advisable to be obtained from any third parties and/or governmental authorities in order to consummate the merger, the bank merger or any of the other transactions contemplated by the merger agreement. PacWest, Square 1 and/or their respective subsidiaries have filed, or are in the process of filing, applications and notifications to obtain these regulatory approvals.

Although the parties currently believe they should be able to obtain all required regulatory approvals in a timely manner, they cannot be certain when or if they will obtain them or, if obtained, whether they will contain terms, conditions or restrictions not currently contemplated that will be detrimental to PacWest after the completion of the merger or will contain a materially burdensome regulatory condition.

*Federal Reserve Board*

PacWest is a bank holding company as defined in the BHC Act. The primary regulator of PacWest is the Federal Reserve Board. PacWest has filed with the Federal Reserve a combined application and notification under Sections 3, 4(c)(8) and 4(j) of the BHC Act for the transactions contemplated by the merger agreement. In considering the approval of the merger, the Federal Reserve Board is required by the BHC Act to review, with respect to PacWest and the companies and insured depository institution to be acquired: (1) the effect of the proposal on competition, (2) the financial condition and future prospects of the combined company and the banks concerned and the managerial resources, including the competence, experience, and integrity of the officers, directors and principal stockholders of PacWest, Square 1 and their subsidiary banks, (3) the convenience and needs of the communities to be served, including the record of performance under the Community Reinvestment Act of 1977 and the regulations issued thereunder (the "CRA"), (4) the companies' effectiveness in combating money-laundering activities, (5) the banks' record of compliance with the CRA and (6) the risk to the stability of the United States banking or financial system presented by the merger and the related transactions. In addition, because the merger involves a transaction to acquire control of a bank located in a state other than the home state of PacWest, the Federal Reserve Board is also required to consider the

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requirements under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act").

In connection with its review of the application and notification, the Federal Reserve Board will provide an opportunity for public comment on the application and notification, and is authorized to hold a public meeting or other proceeding if it determines such meeting or other proceeding would be appropriate.

*Federal Deposit Insurance Corporation*

The prior approval of the FDIC will be required under Section 18(c) of the Federal Deposit Insurance Act, referred to as the Bank Merger Act, to merge Square 1 Bank with and into Pacific Western Bank. In evaluating an application filed under the Bank Merger Act, the FDIC generally considers: (1) the competitive impact of the transaction, (2) financial and managerial resources of each bank that is a party to the bank merger, (3) each of the banks' effectiveness in combating money-laundering activities, (4) the convenience and needs of the communities in which the banks serve, (5) the extent to which the bank merger would result in greater or more concentrated risks to the stability of the U.S. banking or financial system and (6) satisfaction of the requirements of the Riegle-Neal Act. The FDIC also reviews the performance records of the relevant banks under the CRA, including their CRA ratings. In connection with its review under the Bank Merger Act, the FDIC will provide an opportunity for public comment on the application for the bank merger, and is authorized to hold a public meeting or other proceeding if it determines that would be appropriate.

Transactions approved by the Federal Reserve Board or the FDIC generally may not be completed until 30 days after such approval is received, during which time the Department of Justice, referred to as the DOJ, may challenge the transaction on antitrust grounds. With the approval of the Federal Reserve Board or the FDIC, as the case may be, and the concurrence of the DOJ, the waiting period may be reduced to no less than 15 days. The commencement of an antitrust action would stay the effectiveness of such an approval unless a court specifically ordered otherwise. In reviewing the merger, the DOJ could analyze the merger's effect on competition differently than the Federal Reserve Board or the FDIC, and thus it is possible that the DOJ could reach a different conclusion regarding the merger's effects on competition. A determination by the DOJ not to object to the merger may not prevent the filing of antitrust actions by private persons or state attorneys general.

*California Department of Business Oversight*

The prior approval of the CDBO will be required under the California Financial Code to merge Square 1 Bank with and into Pacific Western Bank. In reviewing the merger of Square 1 Bank with Pacific Western Bank, the CDBO will take competitive considerations into account, as well as capital adequacy, quality of management and earnings prospects, in terms of both quality and quantity. The CDBO will also take into account the record of performance of the banks concerned in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, served by such companies and depository institutions. The CDBO will also take into account the safety and soundness of the resulting bank following the bank merger. In considering the merger, the California Financial Code also requires the CDBO to consider the fairness of the merger to all parties involved.

*Commissioner of Banks of the State of North Carolina*

PacWest has also submitted an application to the CBNC under the North Carolina Reciprocal Interstate Banking Act for PacWest to acquire Square 1 and Square 1 Bank.

*Additional Regulatory Approvals and Notices*

Notifications and/or applications requesting approval may be submitted to various other federal and state regulatory authorities and self-regulatory organizations.

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Although PacWest and Square 1 expect to obtain the required regulatory approvals, there can be no assurances as to if, or when, these regulatory approvals will be obtained, the terms and conditions on which the approvals may be granted, or whether there will be litigation challenging such approvals. There can likewise be no assurances that U.S. or state regulatory authorities will not attempt to challenge the merger on antitrust grounds or for other reasons, or, if such a challenge is made, as to the result of any such challenge.

**Accounting Treatment**

In accordance with current accounting guidance, the merger will be accounted for using the acquisition method. The result of this is that (a) the recorded assets and liabilities of PacWest will be carried forward at their recorded amounts, (b) PacWest's historical operating results will be unchanged for the prior periods being reported on and (c) the assets and liabilities of Square 1 will be adjusted to fair value at the date of the merger and combined with the assets and liabilities of PacWest. In addition, all identifiable intangible assets will be recorded at fair value and included as part of the assets acquired. The amount by which the purchase price, consisting of the value of the shares of PacWest common stock to be issued to former Square 1 stockholders and cash to be issued to former holders of Square 1 stock options, RSUs and warrants, exceeds the fair value of the acquired net assets, including identifiable intangible assets, of Square 1 at the merger date will be reported as goodwill. In accordance with current accounting guidance, goodwill is not amortized and will be evaluated for impairment annually. Identified intangible assets will be amortized over their estimated lives. Further, the acquisition method of accounting results in the operating results of Square 1 being included in the operating results of PacWest beginning from the date of completion of the merger.

**Public Trading Markets**

PacWest common stock is listed on NASDAQ under the symbol "PACW" and Square 1 common stock is listed on NASDAQ under the symbol "SQBK." Upon completion of the merger, Square 1 common stock will be delisted from NASDAQ and thereafter will be deregistered under the Exchange Act. The PacWest common stock issuable in the merger will be listed on NASDAQ.

**Exchange of Shares in the Merger**

At or prior to the effective time, PacWest will appoint an exchange agent to handle the exchange of shares of Square 1 common stock for shares of PacWest common stock. As promptly as practicable after the effective time (and in any event within five business days), the exchange agent will send to each holder of record of Square 1 common stock at the effective time appropriate transmittal materials and instructions for effecting the exchange of Square 1 common stock for the merger consideration the holder is entitled to receive under the merger agreement. Upon surrender of stock certificates or book entry shares for cancellation along with the other documents described in the instructions, a Square 1 stockholder will receive a certificate (or evidence of shares in book-entry form, as applicable) representing the number of whole shares of PacWest common stock that such holder is entitled to receive based on the exchange ratio of 0.5997 for each share of Square 1 common stock and a check in the amount (after giving effect to any required tax withholdings as provided in the merger agreement) equal to any cash in lieu of fractional shares plus any unpaid non-stock dividends and any other dividends or other distributions that such holder has the right to receive pursuant to the merger agreement. After the effective time, Square 1 will not register any transfers of shares of Square 1 common stock.

**Appraisal Rights**

Under Delaware law, holders of Square 1 common stock will not be entitled to exercise any appraisal or dissenters' rights in connection with any of the proposals being presented to them.

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**THE MERGER AGREEMENT**

*The following is a summary of selected provisions of the merger agreement. While PacWest and Square 1 believe this description covers the material terms of the merger agreement, it may not contain all of the information that is important to you and is qualified in its entirety by reference to the merger agreement, which is incorporated by reference in its entirety into, and is attached as Appendix A to, this document. The parties urge you to read the merger agreement in its entirety.*

**Explanatory Note**

*The merger agreement and the summary of its terms in this document have been included only to provide you with information about the terms and conditions of the merger agreement. The representations, warranties and covenants contained in the merger agreement are made by PacWest and Square 1 only for purposes of the merger agreement and as of specific dates and were qualified and subject to certain limitations and exceptions agreed to by PacWest and Square 1 in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were made solely for the benefit of the parties to the merger agreement and were negotiated for the purpose of allocating contractual risk among the parties to the merger agreement rather than to establish matters as facts. Stockholders are not third-party beneficiaries under the merger agreement. The representations and warranties may also be subject to a contractual standard of materiality or material adverse effect different from those generally applicable to stockholders and reports and documents filed with the SEC, and, in some cases, they may be qualified by disclosures made by one party to the other, which are not necessarily reflected in the merger agreement or other public disclosures made by PacWest or Square 1. The representations and warranties contained in the merger agreement do not survive the effective time. Moreover, information concerning the subject matter of the representations, warranties and covenants, which do not purport to be accurate as of the date of this document, may have changed since the date of the merger agreement, and subsequent developments or new information may not be fully reflected in public disclosures of PacWest or Square 1.*

*For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone or relied upon as characterizations of the actual state of facts or condition of PacWest or Square 1 or any of their respective subsidiaries or affiliates. Instead, such provisions or descriptions should be read only in conjunction with the other information provided elsewhere in this document or incorporated by reference into this document. Please see the section entitled "Where You Can Find More Information." PacWest and Square 1 will provide additional disclosures in their public reports to the extent they are aware of the existence of any material facts that are required to be disclosed under federal securities laws and that might otherwise contradict the terms and information contained in the merger agreement and will update such disclosure as required by federal securities laws.*

**The Merger**

Upon the terms and subject to the conditions of the merger agreement, Square 1 will merge with and into PacWest, with PacWest being the surviving corporation. The separate corporate existence of Square 1, with all its rights, privileges, immunities, power and franchises will cease. The merger agreement also provides that immediately after the merger, Square 1 Bank, a *de novo* North Carolina commercial bank and a wholly owned subsidiary of Square 1, will merge with and into Pacific Western Bank, a California state-chartered bank and wholly owned subsidiary of PacWest, with Pacific Western Bank as the surviving bank.

**Effects of the Merger**

As a result of the merger, there will no longer be any publicly held shares of Square 1 common stock. Square 1 stockholders will only participate in the surviving corporation's future earnings and

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potential growth through their ownership of PacWest common stock. All of the other incidents of direct ownership of Square 1 common stock, such as the right to vote on certain corporate decisions, to elect directors and to receive dividends and distributions from Square 1, will be extinguished upon completion of the merger. All of the property, rights, privileges and powers of PacWest and Square 1 will vest in the surviving corporation, and all claims, obligations, liabilities, debts and duties of PacWest and Square 1 will become the claims, obligations, liabilities, debts and duties of the surviving corporation.

**Closing and Effective Time of the Merger**

The merger agreement provides that the merger will be consummated no later than three business days after the satisfaction or waiver of all the closing conditions, except for those conditions that by their nature are to be satisfied at the closing (but subject to the fulfillment or waiver of those conditions), including the receipt of all regulatory and stockholder approvals and after the expiration of all regulatory waiting periods, unless extended by mutual agreement of PacWest and Square 1. The merger will be consummated at the time the certificate of merger has been duly filed with the Secretary of State of the State of Delaware or at such later time as may be agreed by the parties and specified in the certificate of merger. The parties are seeking regulatory approval by the fourth quarter of 2015, with the consummation of the merger to occur as soon as practicable thereafter. However, there can be no assurance as to when or if the merger will occur.

If the merger is not completed by March 31, 2016, the merger agreement may be terminated by either PacWest or Square 1, except to the extent that the failure of the merger to be consummated by that date arises out of or results from the knowing action or inaction of the party seeking to terminate which action or inaction is in violation of its obligations under the merger agreement.

For a description of the transaction structure, merger consideration and treatment of Square 1 stock options, Square 1 RSUs and Square 1 warrants, please see the section entitled "The Merger Terms of the Merger."

**PacWest's Governing Documents, Directors and Officers Following the Closing**

*Governing Documents*

The certificate of incorporation and bylaws of PacWest will be the certificate of incorporation and bylaws of the surviving corporation as they exist immediately before the effective time, in each case until thereafter changed or amended as provided therein or by applicable law.

*Directors and Officers*

On or prior to the effective time, the PacWest board of directors will increase the number of directors constituting the PacWest board of directors by one and fill such vacancy by a current director of Square 1 selected by Square 1 and reasonably acceptable to PacWest to be effective immediately following the effective time. The officers of PacWest immediately prior to the effective time will be the officers of the surviving corporation until the earlier of their resignation or removal or until their respective successors are duly appointed and qualified.

**Merger Consideration**

*Conversion of Square 1 Common Stock*

At the effective time, each share of Square 1 common stock, other than certain excluded shares as described below, issued and outstanding immediately prior to the effective time will be converted into and become exchangeable for the right to receive 0.5997 of a share of PacWest common stock as described under "The Merger Merger Consideration."

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*Cancellation of Excluded Shares*

At the effective time, any shares of Square 1 common stock held by PacWest or any direct or indirect wholly owned subsidiary of PacWest or by Square 1 or any direct or indirect wholly owned subsidiary of Square 1, other than those held in a fiduciary capacity or as a result of debts previously contracted, will automatically be cancelled and retired and will cease to exist and no consideration will be issued in exchange therefor.

*Rights as Stockholders of Square 1*

At the effective time, holders of Square 1 common stock will cease to be, and will have no rights as, stockholders of Square 1 other than to receive the merger consideration and any dividends or distributions to which they are entitled under the merger agreement.

*Effect of Merger on Square 1 Stock Options and Square 1 RSUs*

For a description of the treatment of Square 1 stock options and RSUs in the merger, see "The Merger Treatment of Square 1 Stock Options and RSUs."

*Effect of Merger on Square 1 Warrants*

For a description of the treatment of warrants to purchase Square 1 common stock, see "The Merger Treatment of Square 1 Warrants."

*Exchange Procedures*

At the effective time, PacWest will deposit (or cause to be deposited) with an exchange agent selected by PacWest with Square 1's prior approval (such approval not to be unreasonably withheld or delayed) certificates, or evidence of shares in book-entry form, representing the shares of PacWest common stock to be exchanged for Square 1 common stock in the merger. Promptly after the effective time (and in any event within five business days), the exchange agent will provide appropriate transmittal materials to holders of record of Square 1 common stock, advising such holders of the procedure for surrendering their stock to the exchange agent.

Upon the surrender of the shares of Square 1 common stock (or affidavits of loss in lieu thereof), the holder will be entitled to receive in exchange therefor:

a number of whole shares of PacWest common stock that such holder is entitled to receive pursuant to the merger agreement, as described in "Conversion of Square 1 Common Stock" above, evidenced by a stock certificate or in book-entry form; and

a check in the amount of any cash payable in lieu of fractional shares plus any unpaid non-stock dividends and any other dividends or other distributions that such holder has the right to receive pursuant to the merger agreement.

*Distributions with Respect to Unexchanged Shares*

All shares of PacWest common stock to be issued pursuant to the merger will be deemed issued and outstanding as of the effective time and if a dividend or other distribution is declared by PacWest in respect of the PacWest common stock, the record date for which is at or after the effective time, that declaration will include dividends or other distributions in respect of all shares issuable pursuant to the merger agreement. No dividends or other distributions in respect of PacWest common stock will be paid to any holder of any unsurrendered certificate or book-entry shares representing Square 1 common stock until such certificate (or affidavit of loss in lieu thereof) or book-entry shares are surrendered for exchange in accordance with the merger agreement. Subject to applicable laws, following surrender of any such certificate (or affidavit of loss in lieu thereof as provided) or

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book-entry shares, there will be issued and/or paid to the holder of the certificates representing whole shares of PacWest common stock issued in exchange therefor, without interest, (A) at the time of such surrender, the dividends or other distributions with a record date after the effective time theretofore payable with respect to such whole shares of PacWest common stock and not paid and (B) at the appropriate payment date, the dividends or other distributions payable with respect to such whole shares of PacWest common stock with a record date after the effective time but with a payment date subsequent to surrender.

*Fractional Shares of PacWest Common Stock*

No fractional shares of PacWest common stock will be issued to any stockholder of Square 1 upon completion of the merger. For each fractional share that would otherwise be issued, PacWest will pay cash in an amount equal to the fraction of a share of PacWest common stock which the holder would otherwise be entitled to receive multiplied by the PacWest Average Closing Price. No interest will be paid or accrue on cash payable to holders in lieu of fractional shares.

**Representations and Warranties**

The merger agreement contains representations and warranties on the part of Square 1 as to, among other things:

organization, standing and authority;

capital stock;

the organization and existence of any subsidiaries;

corporate power;

corporate authority;

no conflicts, third-party consents and governmental and regulatory approvals required to complete the merger;

required filings;

availability, accuracy and compliance with generally accepted accounting principles of financial reports and filings with the SEC and regulatory authorities;

timely filing of required regulatory reports and absence of regulatory investigations or restrictive agreements with regulators;

absence of litigation;

absence of restrictive agreements with regulators;

compliance with laws and permits;

material contracts;

no broker's or finder's fees, except as contemplated by the merger agreement;

employee benefit plans;

labor matters;

environmental matters;

tax matters;

interest rate risk management instruments, such as swaps and options;

proper and accurate maintenance of books and records;



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insurance coverage;

adequacy of its allowance for loan losses under established regulatory and accounting standards;

transactions with affiliates;

conditions of and title to real and personal property;

intellectual property;

non-participation in the trust business and fiduciary accounts; and

exemptions from takeover statutes.

The merger agreement also contains representations and warranties on the part of PacWest as to, among other things:

organization, standing and authority;

capital stock;

corporate power;

corporate authority;

no conflicts, third party consents and governmental and regulatory approvals required to complete the merger;

required filings;

availability, accuracy and compliance with generally accepted accounting principles of financial reports and filings with the SEC and regulatory authorities;

absence of litigation;

absence of restrictive agreements with regulators;

compliance with laws and permits;

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no broker's or finder's fees, except as contemplated by the merger agreement; and

tax matters.

Certain of these representations and warranties are qualified as to "materiality" or "material adverse effect." For purposes of the merger agreement, a "material adverse effect" with respect to PacWest or Square 1, as the case may be, means any effect, circumstance, occurrence or change that is (i) material and adverse to the business, assets or deposit liabilities, properties, operations, results of operations, or condition (financial or otherwise) of Square 1 and its subsidiaries or PacWest and its subsidiaries, as the case may be, or (ii) that materially impairs the ability of such party to consummate the merger and the transactions contemplated by the merger agreement on a timely basis. However, none of the following effects, circumstances, occurrences or changes will be considered when determining if a material adverse effect has occurred:

any change in law or GAAP or interpretations thereof (except to the extent that such effect, circumstance, occurrence or change disproportionately adversely affects Square 1 and its subsidiaries or PacWest and its subsidiaries, as the case may be, compared to other companies of similar size and operating in the commercial banking industry in which such party operates, in which case only the disproportionate effect will be taken into account);

effects resulting from worsening of geopolitical conditions in the United States or any other country in which the parties and any of their respective subsidiaries conduct material operations or acts of war, sabotage or terrorism (including any escalation or general worsening of any such

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acts of war, sabotage or terrorism) in the United States or any other country in which either party and any of its respective subsidiaries conduct material operations;

any change in market price or trading volume of Square 1 common stock or PacWest common stock (except that the facts or circumstances giving rise or contributing to such change may be deemed to constitute, or be taken into account in determining whether there has been, a material adverse effect, except to the extent such facts or circumstances are themselves excepted from the definition of material adverse effect pursuant to any other clause of the definition);

any action taken by either party with the other party's express written consent or any action taken by either party that such party was expressly required to take pursuant to the terms of the merger agreement;

any failure, in and of itself, by Square 1 or PacWest to meet internal or other estimates, predictions, projections or forecasts of revenue, net income or any other measure of financial performance (except that the facts or circumstances giving rise or contributing to the failure to meet estimates or projections may be deemed to constitute, or be taken into account in determining whether there has been, a material adverse effect, except to the extent such facts or circumstances are themselves excepted from the definition of material adverse effect pursuant to any other clause of the definition);

changes in economic conditions affecting commercial banks generally (except to the extent that such change in economic conditions disproportionately adversely affects Square 1 and its subsidiaries or PacWest and its subsidiaries, as the case may be, compared to other companies of similar size and operating in the commercial banking industry in which such party operates, in which case only the disproportionate effect will be taken into account;

for purposes of the conditions set forth in the merger agreement that there not be a material adverse effect on the other party since the date of the merger agreement, those matters disclosed in the PacWest disclosure schedules and Square 1 disclosure schedules, respectively, in each case, consistent with the standard set forth in the merger agreement and based on the information on those matters made available on or prior to the date of the merger agreement (except to the extent of any adverse developments with respect to such matters arising after the date of the merger agreement); or

changes in relationships with customers or employees of the respective parties and their respective subsidiaries that were primarily the result of the announcement or public disclosure of the merger agreement and the transactions contemplated thereby.

The representations and warranties in the merger agreement do not survive the effective time and, as described below under the section entitled "Termination of the Merger Agreement," if the merger agreement is validly terminated, there will be no liability or damages arising under the representations and warranties of PacWest or Square 1, or otherwise under the merger agreement, unless PacWest or Square 1 willfully and intentionally breached the merger agreement.

**Conduct of Business Prior to the Completion of the Merger**

Square 1 has agreed that, prior to the effective time, except as approved in writing by PacWest, as expressly contemplated by the merger agreement or as required by law, Square 1 and its subsidiaries' respective businesses will be conducted in the ordinary and usual course and Square 1 and its subsidiaries will use its reasonable best efforts to preserve its business organizations and assets intact and maintain its rights, franchises, powers and privileges and its existing relations and goodwill with governmental authorities, customers, suppliers, distributors, creditors, lessors, employees and business associates and keep available the services of Square 1 and its subsidiaries' present employees and agents, and subject to the covenants relating to regulatory applications, as described under "Regulatory

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Matters" below, Square 1 and its subsidiaries will take no action that would reasonably be expected to adversely affect or materially delay Square 1's ability to obtain any necessary approvals of any regulatory authorities or other governmental authority required for the transactions contemplated by the merger agreement or to perform their covenants and agreements under the merger agreement or to consummate the transactions contemplated by the merger agreement on a timely basis.

In addition to the general covenants above, Square 1 has agreed that until the effective time, except as otherwise expressly required by the merger agreement or as required by law, or as PacWest may approve in writing (such approval not to be unreasonably withheld or delayed), subject to certain exceptions (including those set forth in Square 1's disclosure schedules), Square 1 will not and will not permit its subsidiaries to:

#### *Capital Stock*

issue, sell, pledge, dispose of, encumber, permit to become outstanding or authorize the creation of any shares of capital stock or any rights, other than shares issuable in respect of options, RSUs or warrants outstanding on the date of the merger agreement or permitted to be granted thereby; or

permit any shares of capital stock of Square 1 or any of its subsidiaries to become subject to grants of employee or director stock options, other rights or similar stock-based employee rights;

#### *Dividends and Stock Repurchases*

make, declare, pay or set aside for payment of dividends payable in cash, stock or property on or in respect of, or declare or make any distribution on, any shares of its capital stock except for dividends paid by any direct or indirect wholly owned subsidiary to Square 1 or to any other direct or indirect wholly owned subsidiary; or

directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire any shares of its capital stock (other than the acquisition of shares of Square 1 common stock from a holder of Square 1 equity awards in satisfaction of withholding obligations or in payment of the exercise price);

#### *Compensation*

enter into, renew, terminate, amend or otherwise modify any material employment, retention, change in control, consulting, transition, termination, severance or similar agreement or arrangement with any director, officer, employee or consultant of such party or any of its subsidiaries, enter into any collective bargaining or similar agreement, pay or award, or commit to pay or award, any bonus or incentive compensation, or grant any salary or wage increase or increase any employee compensation or benefit (including incentive or bonus payments), except (i) for increases in salary, wages or annual bonus opportunities for employees in the ordinary and usual course of business consistent with past practice, provided that no such increase for any employee shall result in an annual adjustment of more than three percent (3%), (ii) to the extent required by the terms of an existing benefit plan as in effect as of the date of the merger agreement or (iii) for other changes that are required by applicable law; or

grant or approve the grant of any stock options or other equity-based awards;

#### *Hiring*

hire any person as an employee of Square 1 or any of its subsidiaries or promote any employee (except persons hired or promoted to fill any vacancies arising on or after the date of the merger agreement and whose employment is terminable at the will of Square 1 or any such



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subsidiary) other than any person to be hired who would have an annual base salary of no more than \$150,000; or

terminate other than for cause the employment of any officer or employee whose annual base salary is more than \$150,000;

### *Benefit Plans*

enter into, terminate, establish, adopt or amend any benefit plans or any other compensation plan, program, policy or arrangement for the benefit or welfare of any current or former director, officer, employee or consultant of Square 1 or any of its subsidiaries; or fund or in any other way secure the payment of any cash benefits, in each case, except to the extent required by applicable law or the terms of an existing benefit plan as in effect as of the date of the merger agreement;

### *Dispositions*

sell, transfer, lease, license, guarantee, mortgage, pledge, encumber or otherwise create any lien on, dispose of or discontinue any of its assets, deposits, business or properties (other than sales of loans and loan participations) except in the ordinary and usual course of business consistent with past practice and in a transaction that, together with all other such transactions, is not material to Square 1 and its subsidiaries, taken as a whole;

### *Acquisitions*

acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice) all or any portion of the assets, business, equity interests, deposits or properties of any other person (other than purchases of loans and loan participations) except in the ordinary and usual course of business consistent with past practice and in a transaction that, together with all other such transactions, is not material to Square 1 and its subsidiaries, taken as a whole;

### *Mergers*

merge or consolidate Square 1 or any of its subsidiaries with any other person, except for any such transaction among its wholly owned subsidiaries, or restructure, reorganize or completely or partially liquidate or otherwise enter into any agreements or arrangements imposing material changes or restrictions on its assets, operations or businesses;

### *Capital Expenditures*

make any capital expenditures other than in accordance with Square 1's budget as provided to PacWest;

### *Governing Documents*

amend either the Square 1 certificate of incorporation or bylaws, or the organizational documents of any of its subsidiaries;

### *Accounting Methods*

implement or adopt any change in Square 1's book or tax accounting principles, practices or methods, other than as may be required by GAAP, and as concurred by Square 1's independent public accountants, or as required by the merger agreement;  
or



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except as may be required by GAAP, and in the ordinary course of business consistent with past practice, revalue in any material respect any of its assets;

*Contracts*

except with respect to contracts relating to loans or loan participations made in the ordinary and usual course of business consistent with past practice, enter into, renew or allow to renew automatically, modify, amend or terminate, make any payment not then required under or waive, release or assign any material right or claim under, any material contract (as defined in the merger agreement) or any contract which would be a material contract if it were in existence on the date of the merger agreement in each case which is not terminable at will or with 30 days or less notice without payment of any amount other than for products delivered or services performed through the date of termination;

*Claims*

enter into any settlement, compromise or similar agreement with respect to any action, suit, proceeding, order or investigation to which Square 1 or any of its subsidiaries is or becomes a party after the date of the merger agreement, involving a payment by Square 1 or any subsidiary of an amount that exceeds \$50,000 individually or \$100,000 in the aggregate or would impose any material restriction on the business of the surviving corporation or create adverse precedent for claims that are reasonably likely to be material to Square 1 and its subsidiaries, taken as a whole;

*Adverse Actions*

take any action or omit to take any action that is intended to or would reasonably be likely to result in: (i) any of Square 1's representations or warranties set forth in the merger agreement being or becoming untrue in any material respect at any time at or prior to the effective time; (ii) a condition to the merger not being satisfied; (iii) the merger being prevented or impeded from qualifying as a reorganization within the meaning of Section 368 of the Internal Revenue Code; or (iv) a material violation of any provision of the merger agreement, except as may be required by applicable law;

*Risk Management*

except as required by law or regulation: (i) implement or adopt any material change in its interest rate or other risk management policies, procedures or practices; (ii) fail to follow in all material respects Square 1's or its applicable subsidiary's existing policies or practices with respect to managing its exposure to interest rate and other risk; or (iii) fail to use commercially reasonable efforts to avoid any material increase in Square 1's aggregate exposure to interest rate risk;

*Indebtedness*

incur or modify any indebtedness for borrowed money or other liability (other than deposits, federal funds borrowings and borrowings from the Federal Home Loan Bank of Atlanta) or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person;

*Loans*

forgive any loans to directors, officers or employees;



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make any loan or loan commitment to any person which would, when aggregated with all outstanding loans or loan commitments or any renewals or extensions thereof made to such person and any affiliate or immediate family member of such person, exceed \$15,000,000; or

purchase or sell any loan or loan participation in excess of \$15,000,000;

without, in the case of the second and third bullets above, first submitting a copy of the loan write up containing the information customarily submitted to the bank loan committee or directors' loan committee of Square 1, to the chief credit officer of PacWest two business days prior to taking such action; provided that, if PacWest objects in writing to such action within two business days after receiving such loan write up, Square 1 will obtain approval of a majority of the members of Square 1's bank loan committee or directors' loan committee prior to making such loan or loan commitment or such purchase or sale;

*Investments*

other than in accordance with the investment policies of Square 1 or any of its subsidiaries in effect on the date of the merger agreement or in securities transactions as provided below, make any investment either by contributions to capital, property transfers or purchase of any property or asset of any person; or

other than purchases of direct obligations of the United States of America or obligations of United States government agencies which are entitled to the full faith and credit of the United States of America, in any case with a remaining maturity at the time of purchase of one year or less, purchase or acquire securities of any type;

*Taxes*

commence or settle any litigation or proceeding with respect to any liability for material taxes, or take any action which is reasonably likely to have a material adverse impact on the tax position of Square 1, or, after the merger, which is reasonably likely to have a material adverse impact on the tax position of the surviving corporation;

except in the ordinary course of business consistent with past practice, make or change any material express or deemed tax election, file any amended tax return or change any of its methods of reporting income or deductions for tax purposes; or

take any other action with respect to taxes that is outside the ordinary and usual course of business or inconsistent with past practice;

*Branches*

apply for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility of Square 1 or any of its subsidiaries;

*New Business*

enter into any new line of business or, other than in the ordinary course of business consistent with past practice, change in any material respect Square 1's lending, investment, underwriting, risk and asset liability management and other banking and operating, securitization and servicing policies, as applicable, except as required by applicable law or policies imposed by any governmental authority;



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*Lending Practices*

other than in the ordinary course of business consistent with past practice, make any material changes in Square 1's policies and practices with respect to (i) underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service loans or (ii) its hedging practices and policies, in each case except as required by law or requested by a governmental authority; or

*Commitments*

agree or commit to do any of the foregoing.

**PacWest Forbearance**

PacWest has agreed as to itself and its subsidiaries that, prior to the effective time (unless Square 1 shall otherwise approve in writing, and except as otherwise expressly contemplated by the merger agreement or as set forth in PacWest's disclosure schedules) and except as required by applicable law, it will not and will cause each of its subsidiaries not to:

*Adverse Actions*

take any action or omit to take any action that is intended to or would reasonably be likely to result in (i) any of PacWest's representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at any time at or prior to the effective time; (ii) any of the conditions to the merger not being satisfied; (iii) the merger being prevented or impeded from qualifying as a reorganization within the meaning of Section 368 of the Internal Revenue Code; or (iv) a material violation of any provision of the merger agreement, except as may be required by applicable law;

*Governing Documents*

amend PacWest's charter or bylaws, or the organizational documents of any of its subsidiaries, in each case in a manner that would adversely affect the holders of Square 1 common stock relative to and disproportionately to all other holders of PacWest common stock; or

*Commitments*

enter into any contract with respect to, or otherwise agree or commit to do, any of the foregoing.

**Regulatory Matters**

PacWest and Square 1 have agreed to prepare and file this document, and PacWest has agreed to prepare and file with the SEC the registration statement on Form S-4 in connection with the issuance of shares of PacWest common stock in the merger, as promptly as practicable, of which this document is a part. Each party has agreed to use its reasonable best efforts to have the S-4 registration statement declared effective under the Securities Act as promptly as practicable after such filing.

PacWest and Square 1 have agreed to cooperate and use their respective reasonable best efforts to prepare and file, or in the case of PacWest cause to be filed, all documentation to effect all necessary notices, reports and other filings and to obtain all permits, consents, approvals and authorizations necessary or advisable to be obtained from any third parties and/or governmental authorities in order to consummate the merger, the bank merger or any of the other transactions contemplated by the merger agreement.

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Nothing contained in the merger agreement will be deemed to require PacWest to take any action, or commit to take any action, or agree to any condition or restriction, in connection with obtaining the foregoing permits, consents, approvals and authorizations of governmental authorities that would reasonably be likely to be a materially burdensome regulatory condition.

**Stockholder Approval**

Square 1 has agreed to convene a meeting of its stockholders as soon as practicable after the S-4 registration statement is declared effective, and will in any event use reasonable best efforts to convene such meeting no later than 45 days after the S-4 registration statement is declared effective, to consider and vote upon the adoption of the merger agreement. Subject to certain limited exceptions, the Square 1 board of directors will recommend to Square 1 stockholders that they adopt the merger agreement. Unless the merger agreement is terminated in accordance with its terms, Square 1 will convene such meeting regardless of whether or not (i) the Square 1 board of directors has changed its recommendation that Square 1 stockholders adopt the merger agreement or (ii) an acquisition proposal from a third party has been made (discussed in more detail below).

**Bank Merger**

PacWest and Square 1 have agreed that, immediately after the merger, Square 1 Bank will merge with and into Pacific Western Bank, with Pacific Western Bank as the surviving entity.

**NASDAQ Listing**

PacWest has agreed to file with NASDAQ any required notices or forms with respect to the shares of PacWest common stock to be issued in the merger.

**Employee Matters**

For a period of one year following closing, referred to as the continuation period, PacWest has agreed to provide to the Square 1 employees who continue employment with PacWest or any of its subsidiaries following the effective time: (i) base salary and incentive compensation opportunities that are no less favorable, in the aggregate, than those provided to such employees immediately prior to the closing; (ii) employee benefits (other than severance benefits) that are no less favorable, in the aggregate, than the employee benefits provided to similarly situated employees of PacWest; and (iii) severance payments and benefits that are at a level at least equal to the greater of those to which such employee would be entitled under the severance plan or policy of Square 1 or its subsidiaries applicable to such employee immediately prior to the effective time, or under the severance plan or policy of PacWest or its subsidiaries applicable to similarly situated employees of PacWest and its subsidiaries at the time of termination, if such employee experiences, at any time during the continuation period, a termination of employment under circumstances that would entitle such employee to severance payments and benefits under such severance plan or policy. In addition, a Square 1 employee who experienced a severance-qualifying termination of employment after closing but prior to the payment of annual bonuses for 2015 will be eligible for such bonus, to the extent applicable, prorated for the portion of 2015 through the employee's date of termination.

PacWest has agreed to give Square 1 employees full credit for their service with Square 1 for purposes of eligibility, vesting, benefit accrual and determination of the level of benefits under any employee benefit plans that such employees may be eligible to participate in after the closing to the same extent recognized by Square 1 immediately prior to the closing, other than (i) for benefit accrual purposes under any defined benefit pension plan or (ii) as would result in the duplication of benefits for the same period of service.

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PacWest has agreed to waive all limitations as to preexisting conditions, exclusions and waiting periods (to the extent such conditions or waiting periods were covered or satisfied under the applicable plans of Square 1) with respect to participation and coverage requirements applicable to the Square 1 employees under any disability medical, dental or health plans that such employees may be eligible to participate in after the closing, and provide each Square 1 employee with credit for any co-payments, deductibles and out-of-pocket expenses paid during the portion of the calendar year prior to the commencement of such employee's participation in any disability medical, dental or health plans of PacWest after the closing.

In addition, PacWest has agreed that Square 1 may establish a cash-based retention program in the aggregate amount of \$4 million to promote retention and incentivize efforts to consummate the merger. Awards under the retention program will be granted to the key employees (other than employees who are party to an employment agreement with Square 1) of Square 1 and its subsidiaries identified, and in the amounts and on the terms determined, by the chief executive officer of Square 1 and approved by the chief executive officer of PacWest.

**Indemnification and Directors' and Officers' Insurance**

PacWest has agreed to, following the effective time, indemnify present and former directors and officers of Square 1 in connection with any claim arising out of actions or omissions occurring at or prior to the effective time to the fullest extent permitted under law.

For a period of six years from the effective time, PacWest has agreed to provide the portion of directors and officers liability insurance that serves to reimburse the present and former directors and officers of Square 1 on terms and conditions no less advantageous to such officers and directors than those provided by Square 1; provided, however, that PacWest is not required to spend more than 300% of the current annual amount spent by Square 1 to procure such insurance coverage. In lieu thereof, PacWest or, with the prior written consent of PacWest, Square 1 may purchase a six-year tail policy subject to the limitation on cost described in the preceding sentence.

**Acquisition Proposals**

Under the terms of the merger agreement, Square 1 has agreed that neither it nor its subsidiaries nor any of their respective officers, directors and employees shall, and that Square 1 shall direct and use its reasonable best efforts to cause its and its subsidiaries' agents and representatives not to, directly or indirectly:

initiate, solicit, encourage or otherwise facilitate any inquiries or the making of any proposal or offer with respect to any acquisition proposal; or

engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with any person relating to an acquisition proposal or otherwise facilitate any effort or attempt to make or implement an acquisition proposal.

For purposes of the merger agreement, "acquisition proposal" means:

any proposal, offer or inquiry with respect to a merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, share exchange, business combination or similar transaction involving Square 1 or any of its subsidiaries that if consummated would result in any person (or such person's stockholders) owning 15% or more of the total voting power of Square 1 or the surviving entity in a merger involving Square 1 or the resulting parent company of Square 1; and

any proposal or offer to acquire in any manner, directly or indirectly, 15% or more of the total voting power of any class of equity securities of Square 1 or those of any of its subsidiaries or 15% or more of Square 1's consolidated total assets.

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However, the above restriction would not prevent Square 1 or its board of directors from:

complying with Rule 14d-9 and 14d-2 under the Exchange Act;

at any time before, but not after the Square 1 stockholder approval is obtained, providing information in response to a request therefor by a person who has made an unsolicited bona fide written acquisition proposal if Square 1 receives from the person so requesting such information, an executed confidentiality agreement on terms not less restrictive to the other party than those contained in the confidentiality agreement between PacWest and Square 1; or

engaging in any negotiations or discussions with any person who has made an unsolicited bona fide written acquisition proposal;

only if, however, in the cases referred to in the second and third bullet points above, the Square 1 board of directors determines in good faith (after consultation with outside legal counsel) that the failure to take such action would reasonably be expected to violate the directors' fiduciary duties under applicable law.

Further, the merger agreement provides that the Square 1 board of directors and each committee thereof will not:

except as expressly permitted by the merger agreement, withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify), in a manner adverse to PacWest, the recommendation of its board of directors that its stockholders adopt the merger agreement; or

cause or permit Square 1 to enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement or other agreement (other than a confidentiality agreement referred to above) relating to any acquisition proposal.

Notwithstanding the above, prior to the time the Square 1 stockholder approval is obtained, the Square 1 board of directors may withhold, withdraw or adversely modify the recommendation of its board of directors or approve, recommend or otherwise declare advisable any superior proposal (as defined below) made to Square 1 after the date of the merger agreement that was not solicited, initiated, encouraged or facilitated in breach of the merger agreement, if (A) an unsolicited bona fide written offer is made to Square 1 and is not withdrawn and the Square 1 board of directors determines in good faith (after consultation with its financial advisor) that such acquisition proposal is a superior proposal, and (B) the Square 1 board of directors determines in good faith, after consultation with outside counsel, that the failure to take such action would result in a violation of the directors' fiduciary duties under applicable law; provided, however, that no such change of recommendation may be made until after (I) at least five business days following PacWest's receipt of notice from Square 1 advising that the Square 1 board of directors intends to take such action and the basis therefor, and (II) Square 1 has negotiated in good faith to permit PacWest to modify the merger agreement during such five business day period. In determining whether to make a change of recommendation, the Square 1 board of directors shall take into account any changes to the terms of the merger agreement proposed by PacWest and any other information provided by PacWest in response to such notice.

As used in the merger agreement, "superior proposal" means an unsolicited bona fide acquisition proposal (provided that for purposes of the definition of "superior proposal" the references to "15%" in the definition of "acquisition proposal" will instead refer to "50%") that the Square 1 board of directors has determined in its good faith judgment is reasonably likely to be consummated in accordance with its terms, taking into account all legal, financial and regulatory aspects of the proposal and the person making the proposal, and if consummated, would result in a transaction more favorable to Square 1 stockholders from a financial point of view than the transaction contemplated by the merger agreement.

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**Conditions to Consummation of the Merger**

The respective obligation of each party to effect the merger is subject to the satisfaction or written waiver at or prior to the effective time of each of the following conditions:

Square 1 will have obtained the Square 1 stockholder approval;

no governmental authority of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the merger, the bank merger or the other transactions contemplated by the merger agreement; and

the S-4 registration statement having become effective under the Securities Act, no stop order suspending the effectiveness of the S-4 registration statement, of which this document is a part, having been issued, and no proceedings for that purpose having been initiated or been threatened, by the SEC.

Square 1's obligation to effect the merger is also subject to the fulfillment or waiver of the following conditions:

the accuracy of the representations and warranties of PacWest set forth in the merger agreement, subject to the materiality standards set forth in the merger agreement, as of the date of the merger agreement and as of the closing date of the merger as though made at and as of the closing date (except that representations and warranties that by their terms speak as of the date of the merger agreement or some other date need only be true and correct as of such date), and Square 1's receipt of a certificate signed on behalf of PacWest by an executive officer of PacWest, dated as of the closing date, to such effect;

performance by PacWest in all material respects of all obligations required to be performed by it under the merger agreement at or prior to the effective time, and receipt by Square 1 of a certificate signed by an executive officer of PacWest, dated as of the closing date, to such effect;

receipt by Square 1 of the opinion of its counsel, dated the closing date, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time by either party or any of its respective subsidiaries from the Federal Reserve Board, the FDIC, the CDBO and the CBNC which are necessary to consummate the merger and the bank merger, and any other consents, registrations, approvals, permits and authorizations from or with any governmental authority the failure of which to be obtained is reasonably likely to have, individually or in the aggregate, a material adverse effect on Square 1 or PacWest (measured on a scale relative to Square 1), having been made or obtained (as the case may be) and remaining in full force and effect and all statutory waiting periods in respect thereof having expired; and

since March 1, 2015, no event having occurred or circumstance arisen that, individually or taken together with all other facts, circumstances or events, has had or is reasonably likely to have a material adverse effect with respect to PacWest.

PacWest's obligation to complete the merger is also subject to the satisfaction or waiver of the following conditions:

(i) the accuracy of the representations and warranties of Square 1 set forth in the merger agreement, subject to the materiality standards set forth in the merger agreement, as of the date of the merger agreement and as of the closing date of the merger as though made at and as of





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the closing date (except that representations and warranties that by their terms speak as of the date of the merger agreement or some other date need only be true and correct as of such date) and (ii) PacWest's receipt of a certificate signed on behalf of Square 1 by an executive officer of Square 1, dated as of the closing date, to such effect;

performance by Square 1 in all material respects of all obligations required to be performed by it under the merger agreement at or prior to the effective time, and receipt by PacWest of a certificate signed by an executive officer of Square 1, dated as of the closing date, to such effect;

all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time by either party or any of its respective subsidiaries from the Federal Reserve Board, the FDIC, the CDBO and the CBNC which are necessary to consummate the merger and the bank merger, all consents, registrations, approvals, permits and authorizations required to be obtained prior to the effective time from any governmental authority that are required for the operation of Square 1's trust business and any other consents, registrations, approvals, permits and authorizations from or with any governmental authority the failure of which to be obtained is reasonably likely to have, individually or in the aggregate, a material adverse effect on Square 1 or PacWest (measured on a scale relative to Square 1), having been made or obtained (as the case may be) and remaining in full force and effect and all statutory waiting periods in respect thereof having expired, and none of such consents, registrations, approvals, permits and authorizations containing any materially burdensome regulatory condition;

as of the last business day of the month reflected in the closing financial statements, the adjusted Square 1 stockholders' equity (defined below) will not be less than \$302,704,000 as determined in accordance with GAAP; "adjusted Square 1 stockholders' equity" means the consolidated equity of Square 1 as set forth in the closing financial statements, minus any unrealized gains or plus any unrealized losses in Square 1's securities portfolio due to mark-to-market adjustments as of the last business day of the month reflected in the closing financial statements, and adding the sum of (i) all amounts paid or accrued in connection with certain actions taken to conform certain policies and practices to those of PacWest to the extent that such actions were not necessary to bring Square 1 into conformity with GAAP or any applicable law of any governmental authority, (ii) all fees and expenses of all attorneys, accountants, investment bankers and other advisors and agents for Square 1 for services rendered solely in connection with the transactions contemplated by the merger agreement paid by Square 1 prior to the effective time and which do not exceed in the aggregate \$11,000,000 (exclusive of reasonable costs incurred or advanced by such advisors) and (iii) any amounts payable by Square 1 in connection with the cancellation of Square 1's equity awards pursuant to the merger agreement, and any costs associated with the termination of employee benefit plans or programs (inclusive of any severance compensation paid or to be paid as provided in the merger agreement) or any retention bonuses paid in accordance with the merger agreement, and any costs incurred in connection with the termination of Square 1's contracts pursuant to the merger agreement;

receipt by PacWest of the opinion of its counsel, dated the closing date, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

since March 1, 2015, no event has occurred or circumstance arisen that, individually or taken together with all other facts, has had or is reasonably likely to have a material adverse effect with respect to Square 1; and

receipt by PacWest of a certificate certifying that interests in Square 1 are not U.S. real property interests under the Internal Revenue Code.

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**Termination of the Merger Agreement**

The merger agreement may be terminated and the merger may be abandoned:

at any time prior to the effective time, whether before or after the Square 1 stockholder approval, by action of the board of directors of either party, in the event that both parties mutually consent in writing to terminate the merger agreement;

at any time prior to the effective time, whether before or after the Square 1 stockholder approval, by action of the board of directors of either party, in the event that the merger is not consummated by March 31, 2016, except to the extent that the failure of the merger to be consummated results from the knowing action or inaction of the party seeking to terminate, which action or inaction is in violation of its obligations under the merger agreement;

at any time prior to the effective time, whether before or after the Square 1 stockholder approval, by action of the board of directors of either party if:

the approval of any governmental authority required for consummation of the merger, the bank merger or the other transactions contemplated by the merger agreement has been denied by final and nonappealable action of such governmental authority, or an application therefor has been permanently withdrawn by mutual agreement of the parties at the request or suggestion of a governmental authority, or

the Square 1 stockholder approval is not obtained at the duly convened special meeting;

at any time prior to the effective time, whether before or after the Square 1 stockholder approval, by action of either party's board if there has been a breach of any representation, warranty, covenant or agreement made by the other party, such that if continuing on the closing date of the merger, the condition as to the accuracy of the representations and warranties or the compliance with covenants by the other party would not be satisfied and such breach or condition is not curable or, if curable, is not cured within 30 days after written notice thereof is given by the terminating party (or such shorter period as remaining prior to March 31, 2016); provided, that the terminating party is not then in material breach of any representation, warranty, covenant or agreement; or

by action of PacWest's board of directors at any time prior to the Square 1 stockholder approval, in the event:

Square 1 has breached in any material respect the prohibitions in the merger agreement relating to acquisition proposals;

the Square 1 board of directors has effected a change of recommendation;

at any time after the end of 15 business days following receipt of an acquisition proposal, the Square 1 board of directors has failed to reaffirm its recommendation that the Square 1 stockholders adopt the merger agreement as promptly as practicable (but in any event within five business days) after receipt of any written request to do so by PacWest; or

a tender offer or exchange offer for outstanding shares of Square 1 common stock has been publicly disclosed (other than by PacWest or an affiliate of PacWest) and the Square 1 board of directors recommends that Square 1 stockholders tender their shares in such tender or exchange offer or, within 10 business days after the commencement of such tender or exchange offer, the Square 1 board of directors fails to recommend

unequivocally against acceptance of such offer.

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**Termination Fee**

Square 1 must pay PacWest a termination fee of \$32.5 million in the following circumstances:

PacWest terminates the merger agreement because Square 1 (i) has breached in any material respect its obligations relating to acquisition proposals under the merger agreement, (ii) the Square 1 board of directors has changed its recommendation, (iii) any time after the end of 15 business days following receipt of an acquisition proposal, the Square 1 board of directors has failed to reaffirm its recommendation after receipt of a written request from PacWest, or (iv) a tender offer or exchange offer for outstanding shares of Square 1 common stock has been publicly disclosed (other than by PacWest or an affiliate of PacWest) and the Square 1 board of directors recommends that the Square 1 stockholders tender their shares or, within ten business days after the commencement of such tender or exchange offer, the Square 1 board of directors fails to recommend unequivocally against acceptance of such an offer; or

(1) (a) an acquisition proposal has been made to Square 1 or its stockholders generally or (b) any person has publicly announced an intention to make an acquisition proposal with respect to Square 1, (2) thereafter the merger agreement is terminated by either party because (a) the merger was not consummated on or before March 31, 2016 and the Square 1 stockholder approval has not been obtained or (b) the Square 1 stockholder approval was not obtained at the special meeting, and (3) within 12 months after the termination of the merger agreement, Square 1 enters into a definitive agreement with respect to or consummates an acquisition proposal (except that for purposes of the foregoing, references to "15%" in the definition of the term "acquisition proposal" will instead refer to "50%").

**Waiver and Amendment of the Merger Agreement**

Prior to the effective time, any provision of the merger agreement may be: (i) waived in whole or in part by the party benefited by the provision or by both parties; or (ii) amended or modified at any time, by an agreement in writing between the parties thereto executed in the same manner as the merger agreement, except that after the Square 1 stockholder approval is obtained, the merger agreement may not be amended if it would reduce the aggregate value of the consideration to be received by Square 1 stockholders in the merger without any subsequent approval by such stockholders or be in violation of applicable law.

**Expenses**

The merger agreement provides that all costs and expenses incurred in connection with the merger agreement, the merger, and the other transactions contemplated by the merger agreement shall be paid by the party incurring such expense.

**Voting Agreements**

Patriot Financial Partners, L.P., Castle Creek Capital Partners IV, L.P., Endicott Opportunity Partners III, L.P. and Northaven Management, Inc. (and certain affiliates thereof), in their capacities as stockholders of Square 1, have separately entered into voting agreements with PacWest in which they have agreed to vote all shares of Square 1 common stock that they own and have the power to vote in favor of the merger proposal and any other matter that is required to be approved by the stockholders of Square 1 to facilitate the transactions contemplated by the merger agreement, subject in each case to certain limited exceptions. These stockholders also agreed to vote against any proposal made in opposition to adoption of the merger agreement or in competition with the merger agreement and against any acquisition proposal, subject to certain limited exceptions. As of close of business on the record date, these stockholders beneficially owned, in the aggregate, [ ] shares of Square 1 Class A common stock, allowing them to exercise approximately [ ]% of the voting power of Square 1

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common stock (which does not include shares issuable upon the exercise of stock options that were not outstanding as of the close of business on the record date).

In addition, each stockholder who executed a voting agreement agreed not to (i) offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to, or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of any of the shares of Square 1 common stock or (ii) enter into any voting arrangement, whether by proxy, voting agreement, voting trust or otherwise, with respect to any of the shares of Square 1 common stock, and not commit or agree to take any of the foregoing actions, subject in each case to certain limited exceptions.

Each stockholder who executed a voting agreement also agreed (i) that each share of common stock of Square 1 designated as "Class B Common Stock" held by such stockholder shall be treated in the merger as set forth in the merger agreement, which provides that each share of Class B common stock will be converted in the merger into the right to receive the merger consideration on the same terms as shares of Class A common stock and (ii) that such stockholder will not elect to exercise its right under the Square 1 certificate of incorporation to receive in the merger a class of common stock of PacWest with substantially the same rights and benefits as the Class B common stock of Square 1.

The voting agreements terminate in certain circumstances, including in the event that the merger agreement is terminated in accordance with its terms.

The foregoing description of the voting agreements is only a summary, and stockholders are urged to read the form of voting agreement attached as Appendix B to this document, which is incorporated herein by reference.

**LITIGATION RELATED TO THE MERGER**

Three putative stockholder class action lawsuits, referred to as the merger litigation, have been filed in connection with the merger agreement. The first action, *Manganaro v. Burke et al.*, Case No. 10817-VCL, was filed on March 20, 2015 in the Court of Chancery of the State of Delaware. This action alleged, among other things, that the members of the Square 1 board of directors breached their fiduciary duties to Square 1 stockholders, and was voluntarily dismissed without prejudice on May 5, 2015.

Two more actions were filed in the United States District Court for the Middle District of North Carolina: (1) *Lakowitz v. Bowers et al.*, Case No. 1:15-CV-371, filed on May 6, 2015; and (2) *Li v. Bowers et al.*, Case No. 1:15-CV-373, filed on May 7, 2015. Both complaints allege, on behalf of a putative class of Square 1 stockholders, that the members of the Square 1 board of directors breached their fiduciary duties to Square 1 stockholders by approving the proposed merger for inadequate consideration; approving the transaction in order to obtain benefits not equally shared by other Square 1 stockholders; engaging a conflicted financial advisor; entering into the merger agreement containing preclusive deal protection devices; and causing a materially deficient and misleading Registration Statement to be filed and disseminated to stockholders. The complaints also allege claims against PacWest and Square 1 for aiding and abetting these alleged breaches of fiduciary duties. The plaintiffs in both actions also bring claims in their individual capacities against Square 1 and the members of the Square 1 board of directors for alleged violations of Sections 14(a) of the Exchange Act, and against the members of the Square 1 board of directors for alleged violations of Section 20(a) of the Exchange Act, based upon alleged omissions and misrepresentations in the Registration Statement. The plaintiffs in these actions seek injunctive relief prohibiting consummation of the merger, rescission and damages in the event the merger is consummated, an accounting of damages suffered by the plaintiffs and the putative class, attorneys' fees and costs, and other and further relief. At this stage, it is not possible to predict the outcome of the proceedings or their impact on Square 1, PacWest or the merger.

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**MATERIAL U.S. FEDERAL INCOME TAX  
CONSEQUENCES OF THE MERGER**

This section describes the material United States federal income tax consequences of the merger to U.S. holders of Square 1 common stock who exchange shares of Square 1 common stock for shares of PacWest common stock.

For purposes of this discussion, a U.S. holder is a beneficial owner of Square 1 common stock who for United States federal income tax purposes is:

a citizen or resident of the United States;

a corporation, or an entity treated as a corporation, created or organized in or under the laws of the United States or any state or political subdivision thereof;

a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person; or

an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) holds Square 1 common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Square 1 common stock, you should consult your tax advisor.

This discussion addresses only those Square 1 stockholders that hold their Square 1 common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code, and does not address all the U.S. federal income tax consequences that may be relevant to particular Square 1 stockholders in light of their individual circumstances or to Square 1 stockholders that are subject to special rules, such as:

financial institutions;

investors in pass-through entities;

insurance companies;

tax-exempt organizations;

dealers in securities;

traders in securities that elect to use a mark to market method of accounting;

persons that hold Square 1 common stock as part of a straddle, hedge, constructive sale or conversion transaction;

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certain expatriates or persons that have a functional currency other than the U.S. dollar;

persons who are not U.S. holders;

stockholders who exercise appraisal rights; and

stockholders who acquired their shares of Square 1 common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

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The following discussion is based on the Internal Revenue Code, its legislative history, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

PacWest and Square 1 have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The obligation of PacWest to complete the merger is conditioned upon the receipt of an opinion from Sullivan & Cromwell LLP, counsel to PacWest, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The obligation of Square 1 to complete the merger is conditioned upon the receipt of an opinion from Wachtell, Lipton, Rosen and Katz, counsel to Square 1, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. These opinions will be based on assumptions, representations, warranties and covenants, including those contained in the merger agreement and in tax representation letters provided by PacWest and Square 1. The accuracy of such assumptions, representations and warranties, and compliance with such covenants, could affect the conclusions set forth in such opinions. None of these opinions is binding on the Internal Revenue Service or the courts. PacWest and Square 1 have not requested and do not intend to request any ruling from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger. Accordingly, each Square 1 stockholder should consult its tax advisor with respect to the particular tax consequences of the merger to such holder.

*Tax Consequences of the Merger Generally to Holders of Square 1 Common Stock*

Assuming that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code:

no gain or loss will be recognized by stockholders of Square 1 who receive shares of PacWest common stock in exchange for shares of Square 1 common stock pursuant to the merger (except for any gain or loss that may result from the receipt of cash in lieu of fractional shares of PacWest common stock that the stockholder of Square 1 would otherwise be entitled to receive as discussed below under "Cash Received In Lieu of a Fractional Share of PacWest Common Stock");

the aggregate basis of the PacWest common stock received in the merger will be the same as the aggregate basis of the Square 1 common stock for which it is exchanged, decreased by any basis attributable to fractional share interests in PacWest common stock for which cash is received; and

the holding period of PacWest common stock received in exchange for shares of Square 1 common stock will include the holding period of the Square 1 common stock for which it is exchanged.

If U.S. holders of Square 1 common stock acquired different blocks of shares of Square 1 common stock at different times or at different prices, such holders' basis and holding period may be determined with reference to each block of Square 1 common stock. Any such holders should consult their tax advisors regarding the manner in which PacWest common stock received in the exchange should be allocated among different blocks of Square 1 common stock and with respect to identifying the bases or holding periods of the particular shares of PacWest common stock received in the merger.

*Cash Received In Lieu of a Fractional Share of PacWest Common Stock*

A Square 1 stockholder who receives cash in lieu of a fractional share of PacWest common stock will be treated as having received the fractional share pursuant to the merger and then as having



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exchanged the fractional share for cash in a redemption by PacWest. As a result, a Square 1 stockholder will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. This gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such shares is greater than one year. The deductibility of capital losses is subject to limitations.

The preceding discussion is intended only as a summary of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you. Thus, you are strongly encouraged to consult your tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other tax laws and the effect of any proposed changes in the tax laws.

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**COMPARISON OF STOCKHOLDERS' RIGHTS**

**General**

Square 1 is incorporated under the laws of the State of Delaware and the rights of Square 1 stockholders are governed by the laws of the State of Delaware, Square 1's certificate of incorporation and Square 1's bylaws. As a result of the merger, Square 1 stockholders will receive shares of PacWest common stock and will become PacWest stockholders. PacWest is incorporated under the laws of the State of Delaware and the rights of PacWest stockholders are governed by the laws of the State of Delaware, PacWest's certificate of incorporation and PacWest's bylaws. Thus, following the merger, the rights of Square 1 stockholders who become PacWest stockholders in the merger will continue to be governed by the laws of the State of Delaware, but will no longer be governed by Square 1's certificate of incorporation and bylaws and instead will be governed by PacWest's certificate of incorporation and bylaws.

**Comparison of Stockholders' Rights**

Set forth below is a summary comparison of material differences between the rights of Square 1 stockholders under Square 1's certificate of incorporation and bylaws (left column) and the rights of PacWest stockholders under PacWest's certificate of incorporation and bylaws (right column). While the parties believe that the summary table includes the material differences between the rights of Square 1's stockholders and those of PacWest's stockholders, this summary does not include a complete description of all the differences between the rights of the stockholders. Copies of the full text of PacWest's certificate of incorporation and bylaws currently in effect, and Square 1's certificate of incorporation and bylaws currently in effect, are available, without charge, by following the instructions in the section entitled "Where You Can Find More Information."

<b>Square 1</b>	<b>Authorized Capital Stock</b>	<b>PacWest</b>
<p>Square 1's certificate of incorporation states that the authorized capital stock of Square 1 consists of 70 million shares of common stock and 10 million shares of preferred stock. The 70 million shares of common stock consist of 60 million authorized shares of Class A common stock, 4 million authorized shares of Class B non-voting common stock and up to 10 million shares of common stock not otherwise designated (of which 4 million have been designated as Class B non-voting common stock). As of the close of business on the record date, there were [ ] shares of Square 1 Class A common stock outstanding, [ ] shares of Square 1 Class B common stock outstanding and no shares of Square 1 preferred stock outstanding.</p>	<p>PacWest's certificate of incorporation states that the authorized capital stock of PacWest consists of 200 million shares of common stock and 5 million shares of preferred stock. As of [ ], 2015, there were [ ] shares of PacWest common stock outstanding and no shares of PacWest preferred stock outstanding.</p>	

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<b>Square 1</b>	<b>Number of Directors</b>	<b>PacWest</b>
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Square 1's certificate of incorporation states that the number of directors comprising the board of directors will be fixed exclusively by the board of directors pursuant to a resolution adopted by a majority of the board from time to time. There are currently 12 members of the Square 1 board of directors.

PacWest's bylaws state that the number of directors comprising the board of directors will be from seven to 15, with the exact number to be determined from time to time by the PacWest board of directors. There are currently 13 members of the PacWest board of directors. Pursuant to the merger agreement, at the closing of the merger, the PacWest board of directors will cause the number of directors constituting the board of directors of PacWest to be increased by one and will fill such newly created vacancy by appointing a current director of Square 1 selected by Square 1 and reasonably acceptable to PacWest.

**Election of Directors**

Square 1's certificate of incorporation provides that each Class A common stockholder is entitled to one vote for each share of Class A common stock held by such stockholder. Square 1's bylaws do not provide for cumulative voting. The Square 1 bylaws provide that elections shall be determined by a plurality of the votes cast.

PacWest's certificate of incorporation provides that each stockholder is entitled to one vote for each share of stock held by such stockholder. Cumulative voting is permitted so long as the name of the candidates for whom such votes would be cast has been placed in nomination prior to the voting and at least one stockholder has given notice at the meeting prior to the voting of such stockholder's intention to cumulate votes. Cumulative voting provides each stockholder with a number of votes equal to the number of directors to be elected multiplied by the number of shares of common stock held by such stockholder, which such stockholder can then vote in favor of one or more nominees. PacWest's bylaws provide that directors will be elected by the vote of the majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) at any meeting for the election of directors at which a quorum is present, provided that the directors shall be elected by a plurality of the votes cast (instead of by votes cast for or against a nominee) at any meeting at which a quorum is present for which (i) the secretary of PacWest receives a notice pursuant to PacWest's bylaws that a stockholder intends to nominate a director or directors and (ii) such proposed nomination has not been withdrawn by such stockholder on or prior to the tenth day preceding the date PacWest first mails its notice of meeting for such meeting to the stockholders.

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**Square 1**

**PacWest**

**Classification of Board of Directors**

Square 1's certificate of incorporation provides for a classified board of directors. The directors are divided into three classes in as nearly equal number as reasonably possible. Directors elected to succeed those directors whose terms expire are elected for a term of office to expire at the third succeeding annual meeting of the stockholders after their election. No decrease in the number of directors will shorten the term of any incumbent director.

PacWest's bylaws do not provide for a classified board of directors; each director serves until his or her successor is elected and all directors are up for election annually.

**Removal of Directors**

Under Square 1's certificate of incorporation, any director may be removed from office at any time only for cause and only by the affirmative vote of at least a majority of the voting power of all of the then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

Under PacWest's bylaws, any director may be removed, with or without cause, at any meeting of stockholders called expressly for such purpose by a vote of the holders of a majority of shares entitled to vote for the election of directors. However, if the certificate of incorporation provides for cumulative voting (as it currently does) and less than the entire board of directors is to be removed, then no director may be removed without cause if the votes cast against his or her removal would be sufficient to elect him or her if then cumulatively voted at an election of directors.

**Filling Vacancies on the Board of Directors**

Square 1's certificate of incorporation provides that vacancies and newly created directorships resulting from any increase in the authorized number of directors or from death, resignation, retirement, disqualification, removal from office or other cause, may only be filled by the vote of a majority of the directors then in office, though less than a quorum. Each director appointed to fill a vacancy will hold office until the annual meeting of stockholders at which the term of office of the class to which such director has been chosen expires.

PacWest's bylaws provide that vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by the vote of a majority of the directors then in office, though less than a quorum. Any director elected or appointed to fill a vacancy will hold office until the expiration of the term of the director which such director replaced.

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**Square 1**

**PacWest**

**Nomination of Director Candidates by Stockholders**

Square 1's bylaws permit stockholders who are entitled to vote in the election of directors at the meeting of stockholders to nominate a director for election if notice is delivered to the corporate secretary not less than 90 nor more than 120 days prior to the date of the meeting; provided that in the event that less than 100 days' notice or public disclosure is given or made to stockholders, notice by the stockholder to nominate a director must be received not later than the tenth day following the day on which the notice of the date of the meeting was mailed or the public disclosure was made.

PacWest's bylaws permit stockholders who are entitled to vote in the meeting of stockholders and who are stockholders of record at the time notice is delivered to the corporate secretary of PacWest to nominate a director for election if notice is delivered to the corporate secretary not less than 90 nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year, with the notice period varying for certain instances as set forth in the bylaws.

**Stockholder Proposals**

Square 1's bylaws provide that in order for a proposal to be properly brought before an annual meeting by a stockholder, the stockholder must give notice of the proposal in writing to the corporate secretary not less than 90 nor more than 120 days prior to the date of the meeting; provided that in the event that less than 100 days' notice or public disclosure is given to stockholders, notice by the stockholder must be received not later than the tenth day following the day on which the notice of the date of the meeting was mailed or the public disclosure was made. Square 1's bylaws provide that at a special meeting of the stockholders, only business that was brought before the meeting by or at the direction of the board of directors may be conducted.

PacWest's bylaws provide that in order for a proposal to be brought before an annual meeting by a stockholder, the stockholder must give notice of the proposal to the secretary not less than 90 days and not more than 120 days prior to the first anniversary date of the annual meeting for the preceding year, with the notice period varying for certain instances as set forth in the bylaws.

**Stockholder Action Without a Meeting**

Square 1's certificate of incorporation does not allow stockholders to take action without a duly called annual or special meeting of the stockholders and prohibits stockholders from effecting any action by written consent.

According to PacWest's bylaws, any action required or permitted to be taken at any annual or special stockholders' meeting may be taken without a meeting, without prior notice and without a vote, if a consent in writing is delivered to PacWest, setting forth the action to be taken, and is signed by the number of stockholders whose affirmative vote would be required to take such action at a meeting at which all shares entitled to vote thereon were present and voted.

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**Square 1**

**PacWest**

**Special Meetings of Stockholders**

According to Square 1's certificate of incorporation and bylaws, a Square 1 special meeting of the stockholders may be called only by the Square 1 board of directors pursuant to a resolution adopted by a majority of the total number of directors which Square 1 would have if there were no vacancies on the Square 1 board of directors.

According to PacWest's bylaws, PacWest may call a special stockholders meeting upon the written request of the board of directors, the chairman of the board of directors, the chief executive officer or the vice chairman of the board of directors, and shall be called at the request of PacWest stockholders who together hold not less than 10% of the outstanding shares of PacWest stock that would be entitled to vote at such a meeting.

**Indemnification of Directors and Officers**

Square 1's certificate of incorporation provides that no director of Square 1 shall be personally liable to Square 1 or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to Square 1 or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; (iii) under Section 174 of the General Corporation Law of the State of Delaware; or (iv) for any transaction from which the director derived an improper personal benefit.

PacWest's certificate of incorporation provides that a director of PacWest shall not be liable to PacWest or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under Delaware law. Delaware law would not allow for exoneration of liability of a director (i) for any breach of the director's duty of loyalty to PacWest or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; (iii) under Section 174 of the General Corporation Law of the State of Delaware; or (iv) for any transaction from which the director derived an improper personal benefit.

Square 1's certificate of incorporation provides that Square 1 shall indemnify, to the full extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may be amended (but, in the case of amendment, only to the extent that such amendment permits Square 1 to provide broader indemnification rights than such law permitted prior to such amendment), any person made or threatened to be made a party or otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or an officer of Square 1 or is or was serving at the request of Square 1 as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent.

PacWest's bylaws also provide that PacWest will indemnify any person who is or was or has agreed to become a director or officer of PacWest who was or is made a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was or has agreed to become a director or officer of PacWest, to the fullest extent permitted by law.

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Square 1	PacWest
<b>Amendments to Certificate of Incorporation and Bylaws</b>	

Square 1's certificate of incorporation may be amended in any manner allowed under Delaware law. The Square 1 board of directors is empowered to adopt, amend or repeal the bylaws by the approval of a majority of the whole board.

PacWest's certificate of incorporation may be amended in any manner allowed under Delaware law.

Under Square 1's certificate of incorporation, the stockholders also have power to adopt, amend or repeal the bylaws of Square 1; provided, however, that, in addition to any vote of the holders of any class or series of stock of Square 1 required by law or by the certificate of incorporation, the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of Square 1 entitled to vote thereon, voting together as a single class, is required to adopt, amend or repeal any provisions of the bylaws of Square 1.

PacWest's bylaws may be amended by the board of directors, but the stockholders entitled to vote may adopt additional bylaws and may amend or repeal any bylaw whether or not adopted by them.

**Anti-Takeover Provisions**

Section 203 of the DGCL prohibits a Delaware corporation from engaging in a "business combination" (as defined under Delaware law) with a person owning 15% or more of the corporation's voting stock for three years following the time that a person becomes a 15% stockholder, with certain exceptions. Square 1 has not opted out of Section 203.

PacWest, in its certificate of incorporation, has opted out of Section 203.

**Tax Benefit Preservation Plan**

Square 1 currently does not have a tax benefit preservation plan.

PacWest has a tax benefit preservation plan designed to preserve its net operating losses and certain other tax assets. The plan is designed to prevent an "ownership change" as defined under the federal tax laws by discouraging persons from becoming "5-percent stockholders" (as defined under the federal tax laws) of PacWest and existing "5-percent stockholders" from increasing their beneficial ownership of shares.

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**Square 1**

**PacWest**

**Certain Business Combination Restrictions**

Square 1's certificate of incorporation provides that in addition to any affirmative vote required by law or the Square 1 certificate of incorporation, and except as otherwise expressly provided in Article EIGHTH of Square 1's certificate of incorporation, the following transactions or actions require the affirmative vote of the holders of at least a majority of the voting power of the then-outstanding shares of stock of Square 1 entitled to vote thereon, voting together as a single class, subject to certain exceptions:

PacWest's certificate of incorporation and bylaws do not contain any provision regarding business combination transactions with significant stockholders.

any merger or consolidation of Square 1 or any subsidiary with:  
(i) any Interested Stockholder (defined below); or (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an affiliate of an Interested Stockholder;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder, or any affiliate of any Interested Stockholder, of any assets of Square 1 or any subsidiary having an aggregate fair market value equaling or exceeding 25% or more of the combined assets of Square 1 and its subsidiaries;

the issuance or transfer by Square 1 or any subsidiary (in one transaction or a series of transactions) of any securities of Square 1 or any subsidiary to any Interested Stockholder or any affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value equaling or exceeding 25% of the combined fair market value of the outstanding common stock of Square 1 and its subsidiaries, except for any issuance or transfer pursuant to an employee benefit plan of Square 1 or any subsidiary thereof;

the adoption of any plan or proposal for the liquidation or dissolution of Square 1 proposed by or on behalf of an Interested Stockholder or any affiliate of any Interested Stockholder; or



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**Square 1**

**PacWest**

any reclassification of securities (including any reverse stock split), or recapitalization of Square 1, or any merger or consolidation of Square 1 with any of its subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of Square 1 or any subsidiary which is directly or indirectly owned by any Interested Stockholder or any affiliate of any Interested Stockholder.

"Interested Stockholder" means any person (other than Square 1 or any holding company or subsidiary thereof) who or which:

is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding voting stock of Square 1;

is an affiliate of Square 1 and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding voting stock of Square 1; or

is an assignee of or has otherwise succeeded to any shares of Square 1 voting stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act.

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**Square 1**

**Protective Provisions**

**PacWest**

Square 1's certificate of incorporation provides that so long as any Square 1 Class B common stock remains outstanding, Square 1 will not, without first obtaining the written consent of the holders of 80% of the shares of Square 1 Class B common stock then outstanding, take any action with respect to either of the following matters: (a) amend, alter, repeal, impair or change in any material respect the rights, preferences, powers, privileges, restrictions, qualifications or limitations of the Square 1 Class B common stock, and (b) amend, alter, repeal or waive any provision of the Square 1 certificate of incorporation or bylaws which would adversely affect any right, preference, or privilege of the Square 1 Class B common stock or the holders thereof.

Not applicable.

In addition, Square 1's certificate of incorporation provides that in the event of any merger, consolidation, reclassification or other transaction in which the shares of Square 1 Class A common stock are exchanged for or changed into other stock or securities, cash and/or any other property, each share of Square 1 Class B common stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property, as the case may be, that each share of Square 1 Class A common stock would be entitled to receive as a result of such transaction, provided that at the election of such holder, any securities issued with respect to the Square 1 Class B common stock will be Class B common stock under the resulting corporation's organizational documents to the same extent as the Square 1 Class B common stock is Class B common stock and Square 1 will make appropriate provisions (in form and substance reasonably satisfactory to the holders of a majority of the shares of Square 1 Class B common stock then outstanding) and take such actions necessary to ensure that holders of the Class B common stock will retain securities with substantially the same rights and benefits as the Square 1 Class B common stock.

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**DESCRIPTION OF CAPITAL STOCK**

The following summary description of the capital stock of PacWest does not purport to be complete and is qualified in its entirety by reference to PacWest's certificate of incorporation and bylaws, as well as the DGCL. Pursuant to PacWest's certificate of incorporation, PacWest has the authority to issue up to 200 million shares of common stock, par value \$0.01 per share, and 5 million shares of preferred stock, par value \$0.01 per share. Each share of PacWest common stock has the same relative rights, and is identical in all respects, with each other share of PacWest common stock. PacWest common stock is traded on NASDAQ under the symbol "PACW." PacWest common stock represents non-withdrawable capital and is not insured by the Federal Deposit Insurance Corporation. All of the outstanding shares of stock are, and any stock issued pursuant to the merger agreement will be, fully paid and nonassessable.

**Limitation of Liability and Indemnification Matters**

PacWest's certificate of incorporation provides that a director of PacWest shall not be liable to PacWest or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under Delaware law. PacWest's bylaws also provide that, to the maximum extent permitted by law, PacWest shall indemnify any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a director, officer or employee of PacWest or serves or served at the request of PacWest as a director, officer or employee of any other enterprise. Expenses, including attorneys' fees, incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by PacWest promptly upon receipt by PacWest of a commitment from such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by PacWest. The bylaws do not limit the power of PacWest or its board of directors to provide other indemnification and expense reimbursement rights to directors, officers, employees, agents and other persons as otherwise pursuant to the bylaws.

**Anti-takeover Provisions in the Certificate of Incorporation and Bylaws**

Certain provisions of PacWest's certificate of incorporation and bylaws could make it less likely that PacWest's management would be changed or someone would acquire voting control of us without the consent of PacWest's board of directors. These provisions could delay, deter or prevent tender offers or takeover attempts that stockholders might believe are in their best interests, including tender offers or takeover attempts that could allow stockholders to receive premiums over the market price of their common stock.

*Preferred Stock*

PacWest's board of directors can at any time, under PacWest's certificate of incorporation and without stockholder approval, issue one or more new series of preferred stock. In some cases, the issuance of preferred stock could discourage or make more difficult attempts to take control of us through a merger, tender offer, proxy contest or otherwise. Preferred stock with special voting rights or other features issued to persons favoring PacWest's management could stop a takeover by preventing the person trying to take control of us from acquiring enough voting shares necessary to take control.

*Nomination Procedures*

Holders of PacWest common stock can nominate candidates for PacWest's board of directors. A stockholder must follow the advance notice procedures described in PacWest's bylaws. In general, to nominate a person for election to PacWest's board of directors at a meeting of PacWest's stockholders,

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a stockholder must submit a written notice of the proposed nomination to PacWest's corporate secretary at least 90 but not more than 120 days before the meeting.

*Rights Plan*

PacWest has a tax benefit preservation plan, referred to as the Plan, designed to preserve its net operating losses, referred to as the NOLs, and certain other tax assets. Although the tax benefit preservation plan is not intended to be an anti-takeover measure, it could be deemed to have an anti-takeover effect because it would discourage a person from acquiring shares of PacWest common stock.

The adoption of the Plan relates to the fact that if PacWest were to experience an "ownership change" within the meaning of Section 382 of the Internal Revenue Code, referred to as the Code, its ability to utilize the NOLs to offset future taxable income could be significantly limited. The PacWest board of directors may exempt any person or group from being deemed an Acquiring Person (as defined below) for purposes of the Plan with respect to which it receives, at its request, a report from PacWest's advisors to the effect that such exemption would not create a significant risk of material adverse tax consequences to PacWest, or the PacWest board of directors otherwise determines, in its sole discretion, is in the best interests of PacWest.

An "Acquiring Person" generally is, subject to certain exceptions described in the Plan, any person who is or becomes the beneficial owner (as defined in the Plan) of 4.9% or more of the outstanding shares of PacWest common stock at any time after the first public announcement of the Plan.

In connection with the adoption of the Plan, the PacWest board of directors declared a dividend of one preferred share purchase right, referred to as a Right, to purchase one ten-thousandth of a share of newly designated PacWest Series A Participating Preferred Stock, referred to as Preferred Stock, for each share of PacWest common stock outstanding at the close of business on April 17, 2014 or issued thereafter and prior to the Rights separating from PacWest common stock pursuant to the terms of the Plan.

The Rights will not be exercisable until the next business day following the date of the first event causing a Flip-in Date (as defined below) to occur, referred to as the Separation Time. On or after the Separation Time and prior to the Expiration Time (as defined below), each Right would initially entitle the holder to purchase, for \$160.00, referred to as the Exercise Price, one ten-thousandth of a share of Preferred Stock. The Preferred Stock is designed so that each one ten-thousandth of a share has economic and voting terms similar to those of one share of PacWest common stock.

A "Flip-in Date" will occur on the first date on which PacWest announces that a person has become an Acquiring Person, referred to as a Stock Acquisition Date, or such later date and time as the PacWest board of directors may determine.

In the event that prior to the Expiration Time a Flip-in Date occurs, each Right (other than Rights beneficially owned on the Stock Acquisition Date or thereafter acquired by an Acquiring Person or any affiliate thereof, which Rights will become void) will constitute the right to purchase from PacWest, upon exercise, that number of shares of PacWest common stock having an aggregate Market Price (as defined in the Plan) on the Stock Acquisition Date that gave rise to the Flip-in Date equal to twice the Exercise Price for an amount in cash equal to the then current Exercise Price. In addition, the PacWest board of directors may, at its option, at any time after a Flip-in Date and prior to the time that an Acquiring Person becomes the beneficial owner of more than 50% of the outstanding shares of PacWest common stock, elect to exchange all of the then outstanding Rights (other than Rights beneficially owned by the Acquiring Person or any affiliate thereof, which Rights shall become void) for shares of PacWest common stock at an exchange ratio of one share of PacWest common stock per Right, subject to adjustment.

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The holders of Rights will, solely by reason of their ownership of Rights, have no rights as stockholders of PacWest, including, without limitation, the right to vote or to receive dividends.

The exercise price of the Rights and the number of Rights outstanding, or in certain circumstances the securities purchasable upon exercise of the Rights, are subject to adjustment from time to time to prevent dilution if certain specified events occur as provided in the Plan.

The PacWest board of directors may, at its option, at any time, redeem all (but not less than all) of the then outstanding Rights at a price of \$0.001 per Right, as provided in the Plan.

The Rights will expire on the earliest of: (1) the time at which the PacWest board of directors elects to exchange the Rights for shares of PacWest common stock as described above, (2) the date on which the Rights are redeemed as described above, (3) the close of business on April 7, 2017 and (4) the time at which the PacWest board of directors determines, in its sole discretion that the NOLs are utilized in all material respects or no longer available in any material respect under Section 382 of the Code or any applicable state law or that an ownership change under Section 382 of the Code would not adversely impact in any material respect the time period in which PacWest could use the NOLs, or materially impair the amount of the NOLs that could be used by the Company in any particular time period, for applicable tax purposes, referred to as the Expiration Time.

*Amendment of Bylaws*

Under PacWest's bylaws, PacWest's board of directors can adopt, amend or repeal the bylaws, subject to limitations under the DGCL. PacWest's stockholders also have the power to change or repeal PacWest's bylaws.

**Common Stock**

*Voting Rights*

Holders of PacWest common stock will be entitled to one vote per share on all matters requiring stockholder action, including, but not limited to, the election of directors. Cumulative voting is permitted so long as the name of the candidates for whom such votes would be cast has been placed in nomination prior to the voting and at least one stockholder has given notice at the meeting prior to the voting of such stockholder's intention to cumulate votes. In an election of directors under cumulative voting, each share of voting stock is entitled to vote the number of votes to which such share would normally be entitled, multiplied by the number of directors to be elected. A stockholder may then cast all such votes for a single candidate or may allocate them among as many candidates as the stockholder may choose. Cumulative voting may enable a minority stockholder or group of stockholders to elect at least one representative to the board. Without cumulative voting, the holders of a majority of the shares present at an annual meeting would have the power to elect all the directors to be elected at that meeting, and no person could be elected without the support of a majority of the stockholders voting. Without cumulative voting, any director or the entire board of directors of a corporation may be removed with or without cause with the approval of a majority of the outstanding shares entitled to vote at an election of directors.

*Dividends*

Holders of PacWest common stock may receive dividends when, as and if declared by PacWest's board of directors out of funds legally available for payment of dividends, subject to any restrictions imposed by Federal regulators and the payment of any preferential amounts to which any class of preferred stock may be entitled. Other restrictions on PacWest's ability to pay dividends are described below under " Restrictions on Dividends."

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*Liquidation Preference*

Holders of common stock are not entitled to a liquidation preference in respect of those shares. Upon liquidation, dissolution or winding up of PacWest, holders of PacWest common stock will be entitled to share ratably in all assets remaining after the payment of all liabilities of PacWest and of preferential amounts to which any preferred stock may be entitled.

*Other Matters*

The holders of the PacWest common stock will have no preemptive or other subscription rights. PacWest common stock will not be subject to call or redemption.

*Restrictions on Dividends*

PacWest is incorporated in Delaware and is governed by the DGCL. Delaware law allows a corporation to pay dividends only out of surplus, as determined under Delaware law, or, if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and/or for the preceding fiscal year. Under Delaware law, however, PacWest cannot pay dividends out of net profits if, after PacWest pays the dividend, PacWest's capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. PacWest's ability to pay dividends is also subject to certain other limitations. Dividend payments by PacWest are subject to the oversight of the Federal Reserve Board. It is the policy of the Federal Reserve Board that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if retention of prospective earnings is consistent with the organization's expected future needs and financial condition. The policy provides that bank holding companies should not maintain a level of cash dividends that places undue pressure on the capital of depository institution subsidiaries or that may undermine the bank holding company's ability to serve as a source of strength to its banking subsidiaries. The level of PacWest's capital ratios also may affect PacWest's ability to pay dividends.

As a bank holding company, PacWest's ability to pay dividends is affected by the ability of Pacific Western Bank to pay dividends to PacWest. It is possible, depending upon the financial condition of Pacific Western Bank, and other factors, that the Federal Reserve, FDIC or CDBO could assert that a proposed payment of dividends or other payments would be an unsafe or unsound practice. Pacific Western Bank is subject to restrictions under certain federal and state laws and regulations which limit its ability to transfer funds to PacWest through intercompany loans, advances or cash dividends. Dividends paid by state banks, such as Pacific Western Bank, are regulated by the CDBO, under its general supervisory authority as it relates to a bank's capital requirements. A state bank may declare a dividend without the approval of the CDBO as long as the total dividends declared in a calendar year do not exceed either the retained earnings or the total of net profits for the three previous fiscal years less any dividends paid during such period.

During 2014, PacWest received \$137.0 million in dividends from Pacific Western Bank. For the foreseeable future, further dividends from Pacific Western Bank to PacWest require CDBO approval.

Refer to "Business Supervision and Regulation" in PacWest's most recent Annual Report on Form 10-K and similar sections in PacWest's future filings for more information about restrictions on the ability of PacWest's subsidiary to pay PacWest dividends.

*Restrictions on Ownership of PacWest's Common Stock*

Under the BHC Act, any person or company is required to obtain the approval of the Federal Reserve before acquiring control of PacWest, which, among other things, includes the acquisition of ownership of or control over 25% or more of any class of voting securities of the Company or the

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power to exercise a "controlling influence" over PacWest. In the case of an acquirer that is a bank or bank holding company, the BHC Act requires approval of the Federal Reserve for the acquisition of ownership or control of any voting securities of PacWest, if the acquisition results in the bank or bank holding company controlling more than 5% of the outstanding shares of any class of PacWest's voting securities. The Change in Bank Control Act prohibits a person, entity, or group of persons or entities acting in concert, from acquiring "control" of a bank holding company such as PacWest unless the Federal Reserve has been given prior notice and has not objected to the transaction. Under Federal Reserve regulations, the acquisition of 10% or more of a class of voting stock of PacWest would generally be deemed an acquisition of control of PacWest.

*Transfer Agent*

The transfer agent for PacWest common stock is Wells Fargo Shareowner Services.

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**EXPERTS**

The consolidated financial statements of PacWest and its subsidiaries as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2014 have been incorporated by reference herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Square 1 and its subsidiaries as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014 have been incorporated by reference herein and in the registration statement in reliance upon the report of Grant Thornton LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of CapitalSource Inc. at December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, incorporated by reference herein and in the registration statement. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**LEGAL OPINIONS**

Sullivan & Cromwell LLP, New York, New York, and Wachtell, Lipton, Rosen and Katz, New York, New York, will deliver at the effective time their opinions to PacWest and Square 1, respectively, as to certain United States federal income tax consequences of the merger. Please see the section entitled "Material United States Federal Income Tax Consequences of the Merger." The validity of the PacWest common stock to be issued in connection with the merger will be passed upon for PacWest by Sullivan & Cromwell LLP, Los Angeles, California.

**OTHER MATTERS**

As of the date of this document, the Square 1 board of directors does not know of any matters that will be presented for consideration at the Square 1 special meeting other than as described in this document. However, if any other matter shall properly come before the Square 1 special meeting or any adjournment or postponement thereof and shall be voted upon, the proposed proxies will be deemed to confer authority to the individuals named as authorized therein to vote the shares represented by the proxy as to any matters that fall within the purposes set forth in the notices of special meeting.

**SQUARE 1 ANNUAL MEETING STOCKHOLDER PROPOSALS**

If the merger occurs in the expected time frame, there will be no annual meeting of stockholders in 2015. If the merger is not completed, Square 1 must have received proposals that stockholders seek to include in the proxy statement for Square 1's next annual meeting no later than January 23, 2015; provided that if next year's annual meeting is held on a date more than 30 calendar days from June 24, 2015, a stockholder proposal must be received by a reasonable time before Square 1 begins to print and mail its proxy solicitation for such annual meeting. Stockholder proposals will be subject to the requirements of the proxy rules adopted by the Securities and Exchange Commission.

Square 1's bylaws provide that a person may not be nominated for election as a director of Square 1 unless that person is nominated by or at the direction of Square 1's board or by a stockholder who has given appropriate notice to Square 1 before the meeting. Similarly, a stockholder may not



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bring business before an annual meeting unless the stockholder has given Square 1 appropriate notice of its intention to bring that business before the meeting. Square 1's secretary must receive notice of the nomination or proposal not less than 90 and not more than 120 days before the annual meeting; provided, however, that if less than 100 days' notice or prior public disclosure of the date of the meeting is given or made to the stockholders, notice by the stockholder to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder who desires to raise new business must provide certain information to Square 1 concerning the nature of the new business, the stockholder, the stockholder's ownership in Square 1 and the stockholder's interest in the business matter. Similarly, a stockholder wishing to nominate any person for election as a director must provide Square 1 with certain information concerning the nominee and the proposing stockholder. A copy of Square 1's bylaws may be obtained from Square 1.

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**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows PacWest and Square 1 to incorporate certain information into this document by reference to other information that has been filed with the SEC. The information incorporated by reference is deemed to be part of this document, except for any information that is superseded by information in this document. The documents that are incorporated by reference contain important information about the companies and you should read this document together with any other documents incorporated by reference in this document.

This document incorporates by reference the following documents that have previously been filed with the SEC by PacWest (File No. 000-30747):

Annual Report on Form 10-K for the year ended December 31, 2014;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2015; and

Current Reports on Form 8-K filed April 9, 2014 (as amended on June 9, 2014 and April 22, 2015), March 2, 2015, March 5, 2015, March 10, 2015, April 14, 2015, April 16, 2015 and May 19, 2015 (other than the portions of those documents not deemed to be filed).

This document also incorporates by reference the following documents that have previously been filed with the SEC by Square 1 (File No. 001-36372):

Annual Report on Form 10-K for the year ended December 31, 2014;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2015; and

Current Reports on Form 8-K filed March 2, 2015 and March 5, 2015 (other than the portions of those documents not deemed to be filed).

In addition, PacWest and Square 1 are incorporating by reference any documents they may file under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this document and prior to the date of the special meeting of the Square 1 stockholders, provided, however, that PacWest and Square 1 are not incorporating by reference any information furnished (but not filed), except as otherwise specified herein.

Both PacWest and Square 1 file annual, quarterly and special reports, proxy statements and other business and financial information with the SEC. You may obtain the information incorporated by reference and any other materials Square 1 or PacWest file with the SEC without charge by following the instructions in the section entitled "Where You Can Find More Information."

**Neither PacWest nor Square 1 has authorized anyone to give any information or make any representation about the merger or the respective companies that is different from, or in addition to, that contained in this document or in any of the materials that have been incorporated into this document. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.**

AGREEMENT AND PLAN OF MERGER

dated as of March 1, 2015

by and between

PacWest Bancorp

and

Square 1 Financial, Inc.

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