BANC OF CALIFORNIA, INC.
Form 424B5
May 15, 2014
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-192518

Subject to Completion

Preliminary Prospectus Supplement dated May 15, 2014

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 12, 2014)

$50,000,000

% tangible equity units

Banc of California, Inc. (the Company) is offering 1,000,000 of its tangible equity units (the tangible equity units or units). Each unit has a stated amount of $50. Each unit is composed of a prepaid stock purchase contract and a junior subordinated amortizing note due May 15, 2017, issued by the Company, which has an initial principal amount of $ per amortizing note and a scheduled final installment payment date of May 15, 2017.

On May 15,2017, each purchase contract will automatically settle and we will deliver a number of shares of the Company s common stock (the common stock or voting common stock), based on the applicable market value, which is the average of the daily volume weighted average prices, or VWAPs (as defined herein), of the Company s common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding May 15, 2017:

- if the applicable market value equals or exceeds $, you will receive shares;

- if the applicable market value is greater than $ but less than $, you will receive a number of shares per purchase contract equal to $50, divided by the applicable market value; and

if the applicable market value is less than or equal to $, you will receive shares.

At any time prior to the third business day immediately preceding May 15, 2017, you may settle your purchase contract early and we will deliver to you shares of our common stock, subject to customary anti-dilution adjustments. In addition, if a fundamental change (as defined herein) occurs and you elect to settle your purchase contracts early in connection with such fundamental change, you will receive a number of shares of the Company s common stock based on the fundamental change early settlement rate, as described herein. In addition, we may also elect to settle all outstanding purchase contracts early prior to May 15, 2017 at the early mandatory settlement rate (as defined herein) upon a date fixed by us upon not less than 5 business days notice. The purchase contract holders will not receive any cash distributions.

The amortizing notes will pay you equal quarterly installments of $ per amortizing note, which in the aggregate will be equivalent to a % cash payment per year with respect to each $50 stated amount of unit. We will have the right to defer installment payments at any time and from time to time under the circumstances, and subject to the conditions, described herein, so long as such deferral period does not extend beyond May 15, 2019. The amortizing notes will be junior subordinated obligations of the Company and will rank junior both in liquidation and right of payment, to the extent set forth in the indenture, to all of the Company s Senior Debt (as defined under Description of the Amortizing Notes Subordination). The amortizing notes will rank equally with all of the Company s unsecured indebtedness to which the amortizing notes are not so subordinated (and which indebtedness is not, by its terms, subordinated to the amortizing notes), whether currently existing or hereinafter created.

Each unit may be separated into its constituent purchase contract and amortizing note after the initial issuance date of the units. We do not intend to apply for a listing of the units or the constituent purchase contracts or amortizing notes on any securities exchange.

Our shares of voting common stock trade on the Nasdaq Global Select Market under the symbol BANC. On May 14, 2014, the last sale price of the shares as reported on the Nasdaq Global Select Market was $10.72 per share. On May 14, 2014, we announced our intention to transfer the listing of our shares of voting common stock to the New York Stock Exchange and to voluntarily delist our shares from the Nasdaq Global Select Market in connection with such transfer. Our shares of voting common stock are expected to commence trading on the New York Stock Exchange under the symbol BANC on May 29, 2014.

For a discussion of certain risks that you should consider in connection with an investment in our securities, see Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, and all subsequent filings under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, referred to herein as the Exchange Act, as well as the additional risk factors contained in this prospectus supplement beginning on page S-14 and the accompanying prospectus.

	Per Unit	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriter may also exercise its option to purchase up to an additional units from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

Concurrently with this offering, we are offering shares of our common stock (or shares of common stock if the underwriters of that offering exercise their option to purchase additional shares of common stock in full). The common stock is being offered by means of a separate prospectus supplement. Neither of the offerings is conditioned upon the consummation of the other offering. See Concurrent Offering on page S-42 of this prospectus supplement.

These securities are not deposits or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation, referred to herein as the FDIC, or any other government agency.

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

We expect that delivery of the units will be made to investors on or about , 2014, which will be the fourth business day following the date of this prospectus supplement (such settlement being referred to as T+4). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade units prior to the delivery of the units hereunder on the date hereof or on the next succeeding five business days will be required, by virtue of the fact that the units initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the units who wish to trade the units prior to their date of delivery hereunder should consult their advisors.

BofA Merrill Lynch

The date of this prospectus supplement is , 2014.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the base prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information in the accompanying prospectus and in this prospectus supplement and under the heading Incorporation by Reference in this prospectus supplement.

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

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and any written communication from Banc of California, Inc. or the underwriter specifying the final terms of this offering. Neither we nor the underwriter have authorized anyone to provide you with different or additional information from that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriter are offering to sell our securities, and seeking offers to buy our securities only in jurisdictions where offers and sales are permitted. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriter, to subscribe for and purchase any of our securities, and they may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

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

In this prospectus supplement and the accompanying prospectus, unless the context indicates otherwise, references to the Bank prior to October 11, 2013 mean Pacific Trust Bank and The Private Bank of California (Beach Business Bank prior to July 1, 2013), collectively, and references to the Bank on or after October 11, 2013 refer to Banc of California, National Association. Unless the context indicates otherwise, all references to Banc of California, Inc. refer to Banc of California, Inc. excluding its consolidated subsidiaries and all references to the Company, we, us or our refer to Banc of California, Inc., including its consolidated subsidiaries.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the other documents we incorporate by reference in them contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often include the words believes, expects, anticipates, estimates, forecasts, intends targets, potentially, probably, projects, outlook or similar expressions or future or conditional verbs such as ma should, would and could. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the forward-looking statements, including:

- our ability to consummate the Common Stock Offering (as defined herein) in the size and manner described herein;

- our ability to successfully integrate the branches we expect to acquire from Banco Popular North America (BPNA), as described under the caption Risk Factors Risks Relating to Our Pending Branch Acquisition from Banco Popular ;

- our ability to receive regulatory approval and otherwise satisfy the closing conditions for the pending acquisition of branches from BPNA, including raising sufficient financing from public or private offerings to complete the acquisition of branches from BPNA;

- the risks that the Company s recently completed acquisitions of The Private Bank of California, The Palisades Group, LLC and CS Financial, Inc. and/or the recent merger of the Company s subsidiary banks may disrupt current plans and operations and lead to potential difficulties in customer and employee retention, the amount of the costs, fees, expenses and charges related to these transactions could be higher than anticipated, and the expected revenues, cost savings, synergies and other benefits of the Company s mergers and acquisitions activity may not be realized within the anticipated timetables or at all;

- the credit risks of lending activities, which may be affected by deterioration in real estate markets and the financial condition of borrowers, may lead to increased loan and lease delinquencies, losses and nonperforming assets in our loan and lease portfolio, and may result in our allowance for loan and lease losses not being adequate to cover actual losses and require us to materially increase our loan and lease loss reserves;

- the quality and composition of our securities portfolio;

- changes in general economic conditions, either nationally or in our market areas, or financial markets;

continuation of the historically low short-term interest rate environment, changes in the levels of general interest rates, and the relative differences between short- and long-term interest rates, deposit interest rates, our net interest margin and funding sources;

fluctuations in the demand for loans and leases, the number of unsold homes and other properties and fluctuations in commercial and residential real estate values in our market area;

results of examinations of us by regulatory authorities and the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan and lease losses, write-down asset values, increase our capital levels, or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings;

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

our ability to control operating costs and expenses;

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

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

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

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

costs and effects of litigation, including settlements and judgments;

increased competitive pressures among financial services companies;

changes in consumer spending, borrowing and saving habits;

adverse changes in the securities markets;

earthquake, fire or other natural disasters affecting the condition of real estate collateral;

the availability of resources to address changes in laws, rules or regulations or to respond to regulatory actions;

inability of key third-party providers to perform their obligations to us;

changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board or their application to our business, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods;

war or terrorist activities; and

other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described elsewhere in this prospectus or the documents incorporated by reference herein.

Some of these and other factors are discussed in our annual and quarterly reports previously filed with the SEC. Such developments could have an adverse impact on our financial position and results of operations. If one or more of the factors affecting our forward-looking statements proves incorrect, the actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking statements. The effects of the factors described above are difficult to predict. Factors other than those described above also could adversely affect us, and investors should not consider these factors to be a complete set of all potential risks or uncertainties. New factors emerge from time to time and management cannot assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

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

WHERE YOU CAN FIND MORE INFORMATION

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

We have filed a Registration Statement on Form S-3 (File No. 333-192518) with the SEC regarding the securities offered hereby. This prospectus supplement does not contain all of the information set forth in the registration statement or in the exhibits and schedules thereto, in accordance with the rules and regulations of the SEC, and we refer you to that omitted information. The statements made in this prospectus supplement pertaining to the content of any contract, agreement or other document that is an exhibit to the registration statement necessarily are summaries of their material provisions, and we qualify those statements in their entirety by reference to those exhibits for complete statements of their provisions. The registration statement and its exhibits and schedules are available at the SEC s public reference room or through its website.

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INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus supplement, and information we subsequently file with the SEC will automatically update and supersede that information. We incorporate by reference the documents listed below and any filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (File Number 001-35522) (excluding, in each case, information deemed to be furnished and not filed with the SEC) after the date of this prospectus supplement until the completion of this offering. The documents we incorporate by reference are:

Report(s)	**Period(s) of Report(s) or Date(s) Filed**
Annual Report on Form 10-K	For the year ended December 31, 2013
Quarterly Report on Form 10-Q	For the quarter ended March 31, 2014
Current Reports on Form 8-K	Filed on January 3, 2014, February 10, 2014 (two amended filings), February 11, 2014, February 14, 2014, February 19, 2014, March 4, 2014 (two filings), March 7, 2014, April 15, 2014, April 23, 2014, April 25, 2014, May 12, 2014 (amended filing) and May 14, 2014 (two filings)

Notwithstanding the foregoing, information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K, including the related exhibits under Item 9.01, is not incorporated by reference in this prospectus supplement or the accompanying prospectus.

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

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

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. Because it is a summary, it may not contain all of the information that is important to you. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the section entitled Risk Factors beginning on page S-14 of this prospectus supplement, as well as the documents incorporated by reference in this prospectus supplement, before making a decision to invest in our securities.

Banc of California, Inc.

Banc of California, Inc. is a financial holding company and the parent of Banc of California, National Association, a national bank (the Bank), the Palisades Group, LLC, an SEC-registered investment advisor (TPG or Palisades), and PTB Property Holdings, LLC, an entity formed to hold real estate, cash and fixed income investments (PTB). Prior to October 11, 2013, Banc of California, Inc. was a multi-bank holding company with two banking subsidiaries, Pacific Trust Bank, a federal savings bank (PacTrust Bank or Pacific Trust Bank) and The Private Bank of California (PBOC or Beach Business Bank prior to July 1, 2013). On October 11, 2013, Banc of California, Inc. became a one-bank holding company when Pacific Trust Bank converted from a federal savings bank to a national bank and changed its name to Banc of California, National Association, and immediately thereafter The Private Bank of California was merged into Banc of California, National Association. On January 17, 2014, Banc of California, Inc. became a financial holding company.

The Company was incorporated under Maryland law in March 2002, and, in July 2013, the Company changed its name to Banc of California, Inc. and, as noted above, in October 2013, the Company s subsidiary banks merged to form a single, national bank subsidiary under the name Banc of California, National Association. The Bank has one wholly owned subsidiary, CS Financial, Inc. (CS Financial), which was acquired on October 31, 2013.

Banc of California, Inc. is subject to regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve Board or FRB), and the Bank is subject to regulation primarily by the Office of the Comptroller of the Currency (the OCC). As a financial holding company, Banc of California, Inc. may engage in activities permissible for bank holding companies and may engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature, primarily securities, insurance and merchant banking activities.

Banc of California, Inc. is not an operating company and its assets primarily consist of the outstanding stock of the Bank as well as the outstanding membership interests of TPG and PTB. From time to time, Banc of California, Inc. has purchased impaired loans and leases, investments and other real estate owned (OREO) from the Bank to assure the Bank s safety and soundness. Banc of California, Inc. has no significant liabilities at the holding company level other than $82.4 million of 7.50% Senior Notes due April 15, 2020 (Senior Notes) as of March 31, 2014 and related interest payments, compensation of its executive employees and directors, as well as expenses related to strategic initiatives. Banc of California, Inc. will have $ of additional indebtedness at the holding company level upon completion of this offering (or up to $ of additional indebtedness at the holding company level if the underwriter of this offering exercises its option to purchase additional securities in full) consisting of the amortizing notes issued in connection with this offering. Banc of California, Inc. also utilizes the support staff and offices of the Bank and pays the Bank for these services. If Banc of California, Inc. expands or changes its business in the future, it may hire additional employees of its own.

The Bank offers a variety of financial services to meet the banking and financial needs of the communities we serve. The Bank is headquartered in Orange County, California and as of March 31, 2014, the

Bank operated 16 branches in San Diego, Orange, and Los Angeles Counties in California and 53 mortgage loan production offices in California, Arizona, Oregon, Montana, Virginia and Washington.

The principal business of the Bank consists of attracting retail deposits from the general public and investing these funds primarily in commercial, consumer and real estate secured loans. The Bank solicits deposits in its market area and, to a lesser extent, from institutional depositors nationwide and may accept brokered deposits.

The Bank s deposit product and service offerings include checking, savings, money market, certificates of deposit, retirement accounts, as well as mobile, online, cash and treasury management, card payment services, remote deposit, ACH origination, employer/employee retirement planning, telephone banking, automated bill payment, electronic statements, safe deposit boxes, direct deposit and wire transfers. Bank customers also have the ability to access their accounts through a nationwide network of over 30,000 surcharge-free ATMs.

The principal executive offices of the Company are located at 18500 Von Karman Avenue, Suite 1100, Irvine, California, and the Company s telephone number is (949) 236-5211.

Recent Developments

Our Pending Acquisition of Branches from Banco Popular

On April 22, 2014, the Bank entered into a Purchase and Assumption Agreement (the Purchase Agreement) with Banco Popular North America (BPNA) pursuant to which the Bank agreed to acquire select assets and assume certain liabilities comprising BPNA s network of 20 California branches (the BPNA Branches, and such transaction, the Branch Acquisition). Pursuant to the terms of the Purchase Agreement, the Bank will assume approximately $1.1 billion of deposits and acquire approximately $1.1 billion of loans related to the BPNA Branches (based on March 31, 2014 balances). See Recent Developments Branch Acquisition beginning on page S-43 for a more detailed description of the Branch Acquisition.

Also on April 22, 2014, the Company entered into two separate Securities Purchase Agreements (the SPAs), one with OCM BOCA Investor, LLC, an entity owned by investment funds managed by Oaktree Capital Management, L.P. (Oaktree), and one with Patriot Financial Partners, L.P. and Patriot Financial Partners Parallel, L.P. (collectively, Patriot), to raise a portion of the capital needed to finance the Branch Acquisition. Pursuant to the SPAs, the Company agreed to sell shares of voting common stock in a registered direct offering at a price of $11.50 per share, subject to adjustment in the event the Company sells shares of common stock in certain circumstances (including this offering and the Common Stock Offering) at a lower price prior to the closing of the investments contemplated by the SPAs (the Direct Offering). The Company agreed to sell a number of shares of voting common stock to Oaktree such that the percentage of the outstanding shares of the Company s common stock owned by Oaktree immediately following the closing of the investment contemplated by its SPA will equal 9.9%. The Company agreed to sell a number of shares of voting common stock to Patriot that would result in an aggregate purchase price of $10 million; provided that Patriot may, at its option, purchase additional shares of voting common stock so that the percentage of the outstanding shares of the Company s common stock owned by Patriot immediately following the closing of the investment contemplated by its SPA will equal up to 9.9%. The SPAs provide that the closings of the sales of shares to Oaktree and Patriot will occur substantially concurrently with the closing of the Branch Acquisition.

Transfer to New York Stock Exchange Listing

On May 14, 2014, the Company announced its intention to transfer the listing of its shares of voting common stock to the New York Stock Exchange and to voluntarily delist its shares from the Nasdaq Global Select Market in connection

with such transfer. The Company s shares are expected to commence trading on the

New York Stock Exchange under the stock symbol BANC on May 29, 2014. For more information, please see the Company s Current Report on Form 8-K filed with the SEC on May 14, 2014.

Concurrent Offering

Concurrently with this offering, the Company is offering shares of our common stock (or shares of our common stock if the underwriters of that offering exercise their option to purchase additional shares of common stock in full) (the Common Stock Offering). We estimate that the net proceeds of the Common Stock Offering will be approximately $ million plus net proceeds of up to an additional $ million if the option to purchase additional securities is exercised in full (in both cases based on an assumed offering price of $, and after deducting underwriter s discounts and commissions and expenses payable by us), although there can be no assurance that the Common Stock Offering will be completed. See Concurrent Offering.

The common stock is being offered by means of a separate prospectus supplement and not by means of this prospectus supplement. Neither of the offerings is conditioned upon the consummation of the other offering.

Risk Factors

Investing in our securities involves risks. You should carefully consider the information under Risk Factors beginning on page S-14 of this prospectus supplement and under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed with the SEC on March 17, 2014, our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, filed with the SEC on May 9, 2014, as well as all other information included in this prospectus, including the documents incorporated by reference in this prospectus.

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THE OFFERING

The following summary contains basic information about our units, purchase contracts and amortizing notes. This description is not complete and does not contain all of the information that you should consider before investing in shares of our units, purchase contracts and amortizing notes. For a more complete understanding of our units, purchase contracts, common stock and amortizing notes, you should read Description of the Tangible Equity Units, Description of the Purchase Contracts, Description of Common Stock and Preferred Stock and Description of the Amortizing Notes in this prospectus supplement and in the accompanying prospectus, as applicable. To the extent that the following information is inconsistent with the information in the accompanying prospectus, you should rely on the following information. In this section, the Company, we, our, or us refer only to Banc of California, Inc. and not to any of its subsidiaries.

Issuer	Banc of California, Inc.
Number of units offered in this offering	1,000,000 units (or 1,150,000 units if the underwriter exercises its overallotment option in full).
Stated amount and initial offering price	$50 for each unit.
Components of each unit	Each unit is a unit composed of two parts:

- a prepaid stock purchase contract (a purchase contract); and
- a junior subordinated amortizing note issued by the Company (an amortizing note)

Each purchase contract will automatically settle on May 15, 2017 (the mandatory settlement date), and the Company will deliver not more than shares and not less than shares of its common stock, subject to adjustment, based upon the applicable settlement rate and applicable market value of its common stock, as described below under Description of the Purchase Contracts Delivery of Common Stock.

The purchase contract holders will not receive any cash distributions.

Each amortizing note will have an initial principal amount of $, bear interest at the rate of % per annum and have a scheduled final installment payment date of May 15, 2017 . On each

February 15, May 15, August 15 and November 15 commencing on August 15, 2014, the Company will pay equal quarterly installments of $ on each amortizing note. The quarterly installment payable on August 15, 2014, however, will be $. Each installment will constitute a payment of interest and a partial repayment of principal, allocated as set forth on the amortization schedule set forth under Description of the Amortizing Notes Amortization Schedule. The Company will have the right to defer installment payments at any time and from time to time under the circumstances, and subject to the conditions, described herein, so long as such deferral period does not extend beyond May 15, 2019.

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	The return to an investor on a unit will depend upon the return provided by each component. The overall return will consist of the value of the shares of the Company s common stock delivered upon settlement of the purchase contracts and the cash installments paid on the amortizing notes.
Each unit may be separated into its components	Each unit may be separated into its constituent purchase contract and amortizing note on any business day during the period beginning on, and including, the business day immediately succeeding the date of initial issuance of the unit to, but excluding, the third business day immediately preceding the mandatory settlement date. Prior to separation, the units may be purchased and transferred only as units.
A unit may be recreated from its components	If you hold a separate purchase contract and a separate amortizing note, you may combine the two components to recreate a unit.
Absence of a public market	We cannot make any assurance as to the development or liquidity of any market for the units, the purchase contracts or the amortizing notes or that an established trading market for the units, the purchase contracts or the amortizing notes, if developed, will be maintained. The underwriter of this offering has advised us that it intends to make a market in the units. However, it is not obligated to do so, and it may discontinue any market making with respect to the units without notice.
	We do not intend to apply for a listing of the units, the purchase contracts or the amortizing notes on any securities exchange.
Net proceeds	We estimate that our net proceeds from this offering without exercise of the option to purchase additional units will be approximately $ (after deducting underwriting discounts and commissions and estimated offering expenses). If the underwriter exercises its option to purchase additional units in full, we estimate that our net proceeds from this offering will be approximately $ (after deducting underwriting discounts and commissions and estimated offering expenses).
Use of proceeds	We intend to use the net proceeds from this offering, the Direct Offering and the Common Stock Offering to consummate the Branch Acquisition and for general corporate purposes. See Use of Proceeds.
NASDAQ Global Select Market symbol	BANC. On May 14, 2014, we announced our intention to transfer the listing of our shares of voting common stock to the New York Stock

Exchange and to voluntarily delist our shares from the Nasdaq Global Select Market in connection with such transfer. Our shares are expected to commence trading on the New York Stock Exchange under the stock symbol BANC on May 29, 2014.

Risk factors	Investing in our units involves risks. Before investing, you should consider carefully the matters set forth under Risk Factors, beginning on page S-14, for a discussion of the risks related to an investment in our units .
Concurrent Offering	Concurrently with this offering, we are offering shares of our common stock (or shares of our common stock if the underwriters of that offering exercise their option to purchase additional shares of our common stock in full). The common stock is being offered by means of a separate prospectus supplement and not by means of this prospectus supplement. Neither of the offerings is conditioned upon the consummation of the other offering. For more information, see Concurrent Offering in this prospectus supplement.
The Purchase Contracts	
Mandatory Settlement	On the mandatory settlement date, May 15, 2017, each purchase contract will automatically settle and the Company will deliver a number of shares of its common stock, based on the applicable settlement rate, unless such purchase contract has been previously settled at the holder s option. The settlement of the purchase contracts on the mandatory settlement date cannot be deferred.
Settlement Rate	The settlement rate for each purchase contract will be not more than shares and not less than shares of the Company s common stock, subject to adjustment as described herein, depending on the applicable market value of the Company s common stock, calculated as described below.
	If the applicable market value equals or exceeds $ (the threshold appreciation price), you will receive shares of common stock per purchase contract (the minimum settlement rate).
	If the applicable market value is greater than $ (the reference price), but is less than the threshold appreciation price, you will receive a number of shares per purchase contract equal to $50, *divided by* the applicable market value.
	If the applicable market value is less than or equal to the reference price, you will receive shares of common stock per purchase contract (the maximum settlement rate).

The reference price is the public offering price of the Company s common stock in the concurrent Common Stock Offering.

The settlement rate is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates.

The applicable market value means the average of the daily VWAPs of the Company s common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the mandatory settlement date. The threshold appreciation price represents a % appreciation over the reference price.

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The following table illustrates the settlement rate per purchase contract and the value of the Company s common stock issuable upon settlement on the mandatory settlement date, determined using the applicable market value shown, subject to adjustment.

Applicable Market Value of the Company s Common Stock	**Settlement Rate**	**Value of Common Stock**
Less than or equal to $		**Less than $50**
Between $ and $	**Number of shares equal to $50 divided by the applicable market value**	**$50**
Greater than or equal to $		**Greater than $50**

Early Settlement at your election	At any time prior to the third business day immediately preceding the mandatory settlement date, you may settle any or all of your purchase contracts early, in which case the Company will deliver a number of shares of its common stock equal to the minimum settlement rate, which is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates. That is, the market value of the Company s common stock on the early settlement date will not affect the early settlement rate. Your right to settle your purchase contract prior to the mandatory settlement date is subject to the delivery of your purchase contract. In addition, if a fundamental change (as defined herein) occurs and you elect to settle your purchase contracts early in connection with such fundamental change, you will receive a number of shares of the Company s common stock based on the fundamental change early settlement rate as described under Description of the Purchase Contracts Early Settlement Upon a Fundamental Change.
Early Settlement at our election	We may elect to settle all outstanding purchase contracts early at the early mandatory settlement rate upon a date fixed by us upon not less than 5 business days notice (the early mandatory settlement date). The early mandatory settlement rate will be the maximum settlement rate, unless the closing price (as defined herein) of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day immediately preceding the date on which the Company provides notice of the early settlement exceeds 130% of the threshold appreciation price in effect on each such trading day, in which case the early mandatory settlement rate will be the minimum settlement rate.

If we elect to settle all the purchase contracts early, you will have the right to require us to repurchase your amortizing notes on the repurchase date and at the repurchase price as described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder.

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The Amortizing Notes

Initial principal amount of each amortizing note	$.
Installment payments	Each quarterly installment payment of $ will be paid in cash and will constitute a partial repayment of principal and a payment of interest, computed at a rate of % per year. The quarterly installment payable on August 15, 2014, however, will be $.

Payments will be applied first to the interest due and payable and then to the reduction of the unpaid principal amount, allocated as set forth on the amortization schedule set forth under Description of the Amortizing Notes Amortization Schedule.

Right to defer installment payments	The Company will have the right to defer installment payments at any time and from time to time under the circumstances, and subject to the conditions, described under Description of the Amortizing Notes Option to Extend Installment Payment Period so long as such deferral period does not extend beyond May 15, 2019.
Ranking of the amortized notes	The amortizing notes will be junior subordinated obligations of the Company and will rank junior both in liquidation and right of payment to all Senior Debt (as defined under Description of the Amortizing Notes Subordination). The amortizing notes will rank equally with all of the Company s unsecured and junior subordinated indebtedness, whether currently existing or hereinafter created, other than junior subordinated indebtedness that is designated as junior to the amortizing notes. The Company may issue additional series of junior subordinated notes that rank pari passu with the amortizing notes.
Repurchase of amortizing notes at the option of the holder	If we elect to settle the purchase contracts early (as described under Description of the Purchase Contracts Early Settlement at Our Election), then holders will have the right to require us to repurchase some or all of their amortizing notes on the repurchase date for cash at the repurchase price per note to be repurchased, in accordance with and subject to the conditions described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder.

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RISK FACTORS

An investment in our securities involves various risks. You should carefully consider the risk factors described in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed on March 17, 2014, in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, filed on May 9, 2014, and in our other reports filed from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, as the same may be amended, supplemented or superseded from time to time by our filings under the Exchange Act. You should carefully consider the risks described below, and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before investing in our securities. The risks described below are not the only risks applicable to us. Additional risks not currently known to us or that we currently consider immaterial also may impair our business.

Risks Relating to Our Pending Branch Acquisition from Banco Popular

The Branch Acquisition may not be completed, or if completed may not be successful, due to a number of factors.

Consummation of the Branch Acquisition is subject to receipt of required regulatory approvals, including the approval of the OCC, and the satisfaction of other closing conditions, including our receipt of sufficient financing, in the aggregate, necessary to consummate the Branch Acquisition. The Branch Acquisition may not be completed, or if completed may not be successful, due to a number of factors, including, without limitation:

- We may not receive the necessary regulatory approvals to consummate the Branch Acquisition or any such approval may contain terms, conditions or restrictions that will have a material adverse effect on the Bank;
- We may not be able to access necessary capital on a timely basis, including that we may not complete this offering, the Direct Offering or the Common Stock Offering;
- We may not be able to successfully integrate the BPNA Branches into our current operations;
- We may not be able to limit the outflow of deposits held by our new customers in the BPNA Branches and to retain interest-earning assets (i.e., loans) acquired in the Branch Acquisition;
- The credit quality of loans acquired as part of the Branch Acquisition may deteriorate;
- We may not be able to attract new deposits and to generate new interest-earning assets;

- We may not be able to deploy the cash received in the Branch Acquisition on a timely basis into assets, including investment securities, bearing sufficiently high yields without incurring unacceptable credit or interest rate risk;

- We may not be able to control the incremental noninterest expense from the BPNA Branches in a manner that enables us to maintain a favorable overall efficiency ratio;

- We may not be able to retain and attract appropriate personnel to staff the BPNA Branches; and

- We may not be able to earn acceptable levels of noninterest income, including fee income, from the BPNA Branches.

There can be no assurance that the conditions to the closing of the Branch Acquisition will be satisfied or waived or that other events will not intervene to delay or result in the failure to close the Branch Acquisition.

Any delay in closing or a failure to close could have a negative impact on our business and the trading prices of our securities, including our common stock. Likewise, the Branch Acquisition may be completed on terms that differ, perhaps materially, from those described in this prospectus supplement and the documents incorporated herein by reference and investors will not be entitled to require us to repurchase any of our securities as a result of any such differences.

If completed, the success of the Branch Acquisition will depend, in part, on our ability to realize the anticipated business opportunities and growth prospects we expect to result from the addition of the BPNA Branches. We may never realize these business opportunities and growth prospects. Integrating operations will be complex and will require significant efforts and expenditures on the part of both us and BPNA. Our management might have its attention diverted while trying to integrate operations and corporate and administrative infrastructures and the cost of integration may exceed our expectations. We may also be required to make unanticipated capital expenditures or investments in order to maintain, improve or sustain the BPNA Branches we expect to acquire or take write-offs or impairment charges or recognize amortization expenses resulting from the Branch Acquisition and may be subject to unanticipated or unknown liabilities relating to the BPNA Branches we expect to acquire. We might experience increased competition that limits our ability to expand our business, and we might not be able to capitalize on expected business opportunities, including retaining current customers of BPNA.

It is also possible that the integration process could result in the loss of key employees, the disruption of our ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties or our ability to achieve the anticipated benefits of the Branch Acquisition and could harm our financial performance.

No assurance can be given that we will be able to integrate the BPNA Branches successfully, that the Branch Acquisition will not expose us to unknown material liabilities, that the operation of the BPNA Branches will not adversely affect our existing profitability, that we will be able to achieve results in the future similar to those achieved by our existing banking business, that we will be able to compete effectively in new market areas, or that we will be able to manage growth resulting from the Branch Acquisition effectively. The difficulties or costs we may encounter in the integration could materially and adversely affect our earnings and financial condition.

The pricing of deposit liabilities and loan run-off rates could be substantially different than what we have projected in connection with our planning for the Branch Acquisition and the integration of the BPNA Branches.

We expect to obtain approximately $1.1 billion in deposit liabilities and approximately $1.1 billion in loan assets from the Branch Acquisition (based on March 31, 2014 balances).

We have agreed to pay BPNA approximately $5.4 million for the deposits assumed and loans acquired in the Branch Acquisition, which equates to an effective deposit premium of 0.5%, based upon March 31, 2014 balances. In addition, deposit run-off is expected to occur following the closing. While we believe we used a reasonable deposit run-off rate assumption for purposes of valuing the transaction, actual run-off could be higher. Moreover, it is not known whether we will be able to retain loan relationships acquired in the Branch Acquisition over time.

We will need to convert customer loan and deposit data from BPNA s data processing system to our data processing systems. Problems or errors in the customer account conversion process, and customer interface required to replace certain BPNA products and services with comparable products and services of the Bank, could adversely affect customer relationships, increase run-off of deposit and loan customers and result in unexpected charges and costs.

Similarly, run-off could increase if we are not able to cost effectively service particular BPNA loan or deposit products with special features. An unanticipated increase in the run-off rate could increase the effective cost to us of the Branch Acquisition.

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The credit quality of loans associated with the Branch Acquisition may be poorer than expected, which would require us to increase our allowance for loan losses and negatively affect our earnings.

Pursuant to the Purchase Agreement, the Bank will acquire approximately $1.1 billion of loans related to the BPNA Branches (based on March 31, 2014 balances). As part of our due diligence on the BPNA Branches, we reviewed a sample of these loans in various categories and have found them to be of acceptable credit quality. Our examination of these loans was made using the same criteria, analyses and collateral evaluations that we have traditionally used in the ordinary course of our business. Although we believe the loans that we will acquire are of acceptable credit quality, and nonperforming loans, non-accrual loans or other real estate owned are generally excluded from the Branch Acquisition, no assurance can be given as to the future performance of these loans.

We face risks related to lending funds acquired in the Branch Acquisition.

Our strategic plan focuses on the continued development and growth of a diversified loan portfolio. Certain risks are inherent in the lending function, including a borrower s inability to pay, insufficient collateral coverage and changes in interest rates. Repayment risk on commercial loans arises from changing economic conditions in particular geographic areas, businesses or industries that impair the operating performance of commercial borrowers. Risks associated with commercial real estate loans and general business loans also include changes in general economic conditions that affect underlying collateral values.

We will incur significant transaction and acquisition-related integration costs in connection with the Branch Acquisition.

We are currently developing a plan to integrate the BPNA Branches to be acquired in the Branch Acquisition. Although we anticipate achieving cost synergies in connection with the Branch Acquisition, we also expect to incur costs to implement such cost savings measures. We anticipate that we will incur certain non-recurring charges in connection with this integration, including charges associated with the integrating process and systems. We cannot identify the timing, nature and amount of all such charges as of the date of this prospectus supplement. Further, we currently expect to incur significant transaction costs that will be charged as an expense in the period incurred. The significant transaction costs and acquisition-related integration costs could materially adversely affect our results of operations in the period in which such charges are recorded or our cash flow in the period in which any related costs are actually paid. The net benefit associated with the anticipated elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the BPNA Branches, may not be achieved in the near term, or at all. Accordingly, the cost and operational savings may not be achievable in our anticipated amount or timeframe or at all. Investors should not place undue reliance on the anticipated benefits of the Branch Acquisition in making their investment decision.

We and BPNA will be subject to business uncertainties while the Branch Acquisition is pending that could adversely affect our and its businesses.

Uncertainty about the effect of the Branch Acquisition on employees and customers may have an adverse effect on us and BPNA and, consequently, on the BPNA Branches to be acquired in the Branch Acquisition. These uncertainties may impair our and BPNA s ability to attract, retain and motivate key personnel until the Branch Acquisition is completed and for a period of time thereafter. These uncertainties may also cause customers, suppliers and others that deal with us and BPNA to seek to change existing business relationships with the two companies. Employee retention could be reduced during the pendency of the Branch Acquisition, as employees may experience uncertainty about their future roles. If, despite our and BPNA s retention efforts, key employees depart because of concerns relating to the uncertainty and difficulty of the integration process or a desire not to join us following the Branch Acquisition, our

business could be harmed.

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Risks Relating to This Offering and Our Voting Common Stock

This offering is not contingent upon the Branch Acquisition, and there can be no assurance that the Branch Acquisition will be consummated.

While we intend to use the net proceeds from this offering to consummate the Branch Acquisition and for general corporate purposes, the closing of the Branch Acquisition is subject to certain closing conditions, some of which are beyond our control. No assurance can be given that the Branch Acquisition will be completed in the anticipated timeframe, on the terms described or at all.

Consummation of this offering is not contingent upon the consummation of the Branch Acquisition. If the Branch Acquisition does not close, the net proceeds from this offering will be used for general corporate purposes. Because our management would have broad discretion over the use of the net proceeds from this offering under those circumstances, you may not agree with how we would use the proceeds, and we might not invest the proceeds successfully. Accordingly, you will be relying on the judgment of our management with regard to the use of the proceeds from this offering if the Branch Acquisition is not completed, and you will not have the opportunity, as part of your investment decision to assess whether you believe we are using the proceeds appropriately. It is possible that we may invest the proceeds in a way that does not yield a favorable, or any, return for us.

Our trading volume may not provide adequate liquidity for investors.

Our voting common stock is currently listed on the Nasdaq Global Select Market. However, the average daily trading volume in our voting common stock is less than that of larger financial services companies. A public trading market having the desired depth, liquidity and orderliness depends on the presence of a sufficient number of willing buyers and sellers for our voting common stock at any given time. This presence is impacted by general economic and market conditions and investors views of us. Because our trading volume is limited relative to larger financial services companies, any significant sales of our shares could cause a decline in the market value of our voting common stock.

On May 14, 2014, we announced our intention to transfer the listing of our shares of voting common stock to the New York Stock Exchange and to voluntarily delist our shares from the Nasdaq Global Select Market in connection with such transfer. Our shares are expected to commence trading on the New York Stock Exchange under the stock symbol BANC on May 29, 2014. No assurance can be given with regard to the trading volume or liquidity of our voting common stock following the transfer of our listing to the New York Stock Exchange, if such transfer is completed.

The price of our voting common stock may fluctuate significantly, and this may make it difficult for you to resell our voting common stock when you want or at prices you find attractive.

We cannot predict how our voting common stock will trade in the future. The market value of our voting common stock will likely continue to fluctuate in response to a number of factors including the following, most of which are beyond our control, as well as the other factors described in this Risk Factors section, elsewhere in this prospectus and in the documents incorporated herein by reference:

- actual or anticipated quarterly fluctuations in our operating and financial results;
- developments related to investigations, proceedings or litigation that involve us;

changes in financial estimates and recommendations by financial analysts;

dispositions, acquisitions and financings, including the Common Stock Offering;

actions of our current shareholders, including sales of stock by existing shareholders and our directors and executive officers;

- fluctuations in the stock prices and operating results of our competitors;
- regulatory developments; and
- other developments related to the financial services industry.

The market value of our voting common stock may also be affected by conditions affecting the financial markets in general, including price and trading fluctuations. These conditions may result in (i) volatility in the level of, and fluctuations in, the market prices of stocks generally and, in turn, our voting common stock and (ii) sales of substantial amounts of our voting common stock in the market, in each case that could be unrelated or disproportionate to changes in our operating performance. These broad fluctuations may adversely affect the market value of our voting common stock.

Future sales of our common stock or other securities may dilute the value and adversely affect the market price of our voting common stock.

In many situations, our board of directors has the authority, without any vote of our shareholders, to issue shares of our authorized but unissued shares of our common stock or shares of our authorized but unissued preferred stock. Our board of directors also has the power to amend our charter, without shareholder approval, to increase the number of shares of stock we are authorized to issue. In the future, we may issue additional securities, through public or private offerings, including but not limited to the Direct Offering and the Common Stock Offering, in order to raise additional capital. Any such issuance would dilute the percentage of ownership interest of existing shareholders and may dilute the per share book value of our common stock. In addition, option, stock appreciation right and warrant holders may exercise their options, stock appreciation rights and warrants at times when we would otherwise be able to obtain additional equity capital on more favorable terms. In the case of issuances of our preferred stock, any issuances would likely result in your interest being subject to the prior rights of holders of that preferred stock. The market price of our common stock could decline as a result of this offering, the Common Stock Offering and the Direct Offering, as well as sales of shares of our common stock made after such offerings or the perception that such sales could occur.

Regulatory restrictions may limit or prevent us from paying dividends on our voting common stock.

Banc of California, Inc. derives substantially all of its revenue in the form of dividends from its subsidiaries. Accordingly, Banc of California, Inc. is and will be dependent upon dividends from its subsidiaries to pay the principal of and interest on its indebtedness, to satisfy its other cash needs and to pay dividends on its capital stock. Banc of California, Inc. s subsidiaries ability to pay dividends is subject to their ability to earn net income and to meet certain regulatory requirements. If our subsidiaries are unable to pay dividends, Banc of California, Inc. may not be able to service its debt, pay its other obligations or pay dividends on its preferred or common stock, which could have a material adverse impact on our financial condition or the value of your investment in the units insofar as their value is derived from the value of our voting common stock.

Our voting common stock is equity and is subordinate to our existing and future indebtedness and preferred stock and effectively subordinated to all the indebtedness and other non-common equity claims against our subsidiaries.

The purchase contracts, pursuant to which we will deliver to you shares of our voting common stock, are components of the units. Shares of our voting common stock that you may receive upon settlement of a purchase contract will represent equity interests in us and do not constitute indebtedness. Accordingly, the shares of our voting common

stock will rank junior to all of our existing and future indebtedness and to other non-equity claims against us with respect to assets available to satisfy claims against us, including in our liquidation. Additionally, holders of our voting common stock are subject to the prior dividend and liquidation rights of the holders of our outstanding preferred stock. As of March 31, 2014, we had 82,250 shares of preferred stock issued

and outstanding, consisting of 32,000 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A, liquidation amount $1,000 per share (Series A Preferred Stock), 10,000 shares of Non-Cumulative Perpetual Preferred Stock, Series B, liquidation amount $1,000 per share (Series B Preferred Stock), and 40,250 shares of 8.00 percent Non-Cumulative Perpetual Preferred Stock, Series C, liquidation amount $1,000 per share (Series C Preferred Stock, and together with the Series A Preferred Stock and Series B Preferred Stock, the Preferred Stock). Each series of the Preferred Stock ranks equally (pari passu) with each other series of the Preferred Stock and senior to our common stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Banc of California, Inc. We may also issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon liquidation, dissolution or winding up, or voting rights that dilute the voting power of the common stock. Our board of directors is authorized to issue additional classes or series of preferred stock generally without any action on the part of the holders of our common stock, and we are permitted to incur additional debt. Upon liquidation, lenders and holders of our debt securities and preferred stock would receive distributions of our available assets prior to holders of our common stock.

In addition, our right to participate in any distribution of assets of any of our subsidiaries upon the subsidiary s liquidation or otherwise, and thus the ability of a holder of our voting common stock to benefit indirectly from such distribution, will be subject to the prior claims of creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, holders of our voting common stock will be effectively subordinated to all existing and future liabilities and obligations of our subsidiaries.

Anti-takeover provisions could negatively impact our shareholders.

Provisions in our charter and bylaws, the corporate laws of the State of Maryland and federal regulations could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our shareholders, or otherwise adversely affect the market price of any class of our equity securities, including our voting common stock. These provisions include a prohibition on voting shares of common stock beneficially owned in excess of 10% of total shares outstanding; supermajority voting requirements for certain business combinations with any person who beneficially owns 10% or more of our outstanding common stock; the election of directors to staggered terms of three years; advance notice requirements for nominations for election to our board of directors and for proposing matters that shareholders may act on at shareholder meetings; a requirement that only directors may fill a vacancy in our board of directors; and supermajority voting requirements to remove any of our directors. Our charter also authorizes our board of directors to issue preferred stock, and preferred stock could be issued as a defensive measure in response to a takeover proposal. In addition, pursuant to banking regulations, as a general matter, no person or company, acting individually or in concert with others, may acquire 10% or more of our voting common stock without prior approval from the Federal Reserve Board.

These provisions may discourage potential takeover attempts, discourage bids for our voting common stock at a premium over market price, or adversely affect the market price of, and the voting and other rights of the holders of, our voting common stock. These provisions could also discourage proxy contests and make it more difficult for holders of our voting common stock to elect directors other than the candidates nominated by our board of directors. In addition, because of the voting limitation in our charter referred to above, the voting rights any person or group acquiring beneficial ownership of more than 10% of the outstanding shares of our voting common stock will not be commensurate with their economic interest in the Company.

Risks Relating to Our Business and Operating Environment

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

We have pursued and intend to continue to pursue an organic and acquisition growth strategy for our business. We regularly evaluate potential acquisitions and expansion opportunities. If appropriate opportunities

present themselves, we expect to engage in selected acquisitions of financial institutions, branch acquisitions and other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful.

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

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

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

Our recent acquisitions of PBOC, Palisades and CS Financial may present certain risks to our business and operations.

We completed our acquisitions of PBOC and the Palisades on July 1, 2013 and September 10, 2013, respectively, and the Bank completed the acquisition of CS Financial on October 31, 2013. Difficulties in capitalizing on the opportunities presented by the PBOC, Palisades and CS Financial acquisitions may prevent us from fully achieving the expected benefits from the acquisitions, or may cause the achievement of such expected benefits to take longer than expected.

Further, the assimilation of PBOC s customers and markets could result in higher than expected deposit attrition, loss of key employees, disruption of our businesses, or otherwise adversely affect our ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisitions. These matters could have an adverse effect on us for an undetermined period. We will likely be subject to similar risks and difficulties in connection with any future acquisitions.

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

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

- Demand for our products and services may decline;

- Loan and lease delinquencies, problem assets and foreclosures may increase;

- Collateral for our loans and leases may further decline in value; and

- The amount of our low-cost or non-interest-bearing deposits may decrease.

The national economy in general and the financial services sector in particular continue to face significant challenges. We cannot accurately predict the possibility of the economy s return to recessionary conditions or to a period of economic weakness, which would adversely impact the markets we serve. Any deterioration in national or local economic conditions would have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and any economic weakness could present substantial risks for the banking industry and for us.

There are risks associated with our lending activities and our allowance for loan and lease losses may prove to be insufficient to absorb probable incurred losses in our loan and lease portfolio.

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

- Cash flow of the borrower and/or the project being financed;

- In the case of a collateralized loan or lease, the changes and uncertainties as to the future value of the collateral;

- The credit history of a particular borrower;

- Changes in economic and industry conditions; and

- The duration of the loan or lease.

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

- An ongoing review of the quality, size and diversity of the loan and lease portfolio;

- Evaluation of non-performing loans and leases;

- Historical default and loss experience;
- Historical recovery experience;
- Existing economic conditions;
- Risk characteristics of the various classifications of loans and leases; and
- The amount and quality of collateral, including guarantees, securing the loans and leases.

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

The determination of the appropriate level of the allowance for loan and lease losses inherently involves a high degree of subjectivity and requires us to make various assumptions and judgments about the collectability

of our loan and lease portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans and leases. In determining the amount of the allowance for loan and lease losses, we review our loans and leases and the loss and delinquency experience, and evaluate economic conditions and make significant estimates of current credit risks and future trends, all of which may undergo material changes. If our estimates are incorrect, the allowance for loan and lease losses may not be sufficient to cover losses inherent in our loan and lease portfolio, resulting in the need for additions to our allowance through an increase in the provision for loan and lease losses. Deterioration in economic conditions affecting borrowers, new information regarding existing loans and leases, identification of additional problem loans and leases and other factors, both within and outside of our control, may require an increase in the allowance for loan and lease losses. Our allowance for loan and lease losses was 0.83 percent of gross loans and leases held for investment and 61.66 percent of nonperforming loans at March 31, 2014. In addition, bank regulatory agencies periodically review our allowance for loan and lease losses and may require an increase in the provision for loan and lease losses or the recognition of further charge-offs, based on judgments different than that of management. If charge-offs in future periods exceed the allowance for loan and lease losses, we will need additional provisions to increase the allowance for loan and lease losses. Any increases in the provision for loan and lease losses will result in a decrease in net income and may have a material adverse effect on our financial condition and results of operations.

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

At March 31, 2014, $1.26 billion, or 52.6 percent of our total gross loan and lease portfolio, was secured by one-to-four family mortgage loans and home equity lines of credit. This type of lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. The decline in residential real estate values as a result of the downturn in the California housing markets has reduced the value of the real estate collateral securing these types of loans and increased the risk that we would incur losses if borrowers default on their loans. Residential loans with high combined loan-to-value ratios generally will be more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, the borrowers may be unable to repay their loans in full from the sale proceeds. As a result, these loans may experience higher rates of delinquencies, defaults and losses, which will in turn adversely affect our financial condition and results of operations.

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

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

Our underwriting practices may not protect us against losses in our loan portfolio.

We seek to mitigate the risks inherent in our loan portfolio by adhering to specific underwriting practices, including: analyzing a borrower s credit history, financial statements, tax returns and cash flow projections; valuing collateral based on reports of independent appraisers; and verifying liquid assets. Although we believe that our underwriting criteria are, and historically have been, appropriate for the various kinds of loans we make, we have incurred losses on loans that have met these criteria, and may continue to experience higher than expected losses depending on economic factors and consumer behavior. In addition, our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors. Finally, we may have higher credit risk, or experience higher credit losses, to the extent our loans

are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Our residential loan portfolio is largely jumbo loans that exceed the loan size limit of Fannie Mae and Freddie Mac and therefore have a more limited secondary

market demand than that of conforming loans. At March 31, 2014, 73 percent of our commercial real estate loans and 93.4 percent of our residential mortgages were secured by collateral in Southern California. Deterioration in real estate values and underlying economic conditions in Southern California could result in significantly higher credit losses to our portfolio.

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

Many of the residential mortgage loans we have originated for investment consisted of non-traditional single-family residential mortgage loans that do not conform to Fannie Mae or Freddie Mac underwriting guidelines as a result of characteristics of the borrower or property, the loan terms, loan size or exceptions from agency underwriting guidelines.

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

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

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

If we foreclose on a commercial or multi-family real estate loan, our holding period for the collateral typically is longer than for residential mortgage loans because there are fewer potential purchasers of the collateral. Additionally, commercial and multi-family real estate loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, if we make any errors in judgment in the collectability of our commercial and

multi-family real estate loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. As of March 31, 2014, our commercial and multi-family real estate loans totaled $741.1 million, or 30.9 percent of our total gross loan portfolio.

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Our portfolio of Green Loans subjects us to greater risks of loss.

We have a portfolio of Green Account home equity loans which generally have a fifteen year draw period with interest-only payment requirements, and a balloon payment requirement at the end of the draw period. The Green Loans include an associated clearing account that allows all types of deposit and withdrawal transactions to be performed by the borrower during the term. We ceased originating new Green Loans in 2011; however, existing Green Loan borrowers are entitled to continue to draw on their Green Loans, and at March 31, 2014, the balance of Green Loans in our portfolio totaled $148.6 million.

In 2011, we implemented an information reporting system which allowed us to capture more detailed information than was previously possible, including transaction level data concerning our Green Loans. Although such transaction level data would have enabled us to more closely monitor trends in the credit quality of our Green Loans, we do not possess the enhanced transaction level data relating to the Green Loans for periods prior to the implementation of those enhanced systems. Although we do not believe that the absence of such historical data itself represents a material impediment to our current mechanisms for monitoring the credit quality of the Green Loans, until we compile sufficient transaction level data going forward we are limited in our ability to use historical information to monitor trends in the portfolio that might assist us in anticipating credit problems. Green Loans expose us to greater credit risk than other residential mortgage loans because they are non-amortizing and contain large balloon payments upon maturity. Although the loans require the borrower to make monthly interest payments, we are also subject to an increased risk of loss in connection with the Green Loans because payments due under the loans can be made by means of additional advances drawn by the borrower, up to the amount of the credit limit, thereby increasing our overall loss exposure due to negative amortization. The balloon payment due on maturity may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or non-payment. Our ability to take remedial actions in response to these additional risks of loss is limited by the terms and conditions of the Green Loans and our alternatives consist primarily of the ability to curtail additional borrowing when we determine that either the collateral value of the underlying real property or the credit worthiness of the borrower no longer supports the level of credit originally extended. Additionally, many of our Green Loans have larger balances than traditional residential mortgage loans, and accordingly, if the loans go into default either during the draw period or at maturity, any resulting charge-offs may be larger on a per loan basis than those incurred with traditional residential loans.

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

We obtain updated valuations in the form of appraisals and broker price opinions when a loan has been foreclosed upon and the property is taken in as OREO, and at certain other times during the asset s holding period. Our net book value (NBV) in the loan at the time of foreclosure and thereafter is compared to the updated market value (fair value) of the foreclosed property less estimated selling costs. A charge-off is recorded for any excess in the asset s NBV over its fair value. If our valuation process is incorrect, the fair value of our investments in OREO may not be sufficient to recover our NBV in such assets, resulting in the need for additional write-downs. Additional write-downs to our investments in OREO could have a material adverse effect on our financial condition and results of operations. Our bank regulators periodically review our OREO and may require us to recognize further write-downs. Any increase in our write-downs, as required by such regulator, may have a material adverse effect on our financial condition and results of operations. As of March 31, 2014, we had OREO of $150,000.

Our portfolio of re-performing loans subjects us to a greater risk of loss.

We have a portfolio of re-performing residential mortgage loans which we purchased in several large pools at a discount to the outstanding principal balance on the loans. These re-performing loans were discounted because either (i) the borrower was delinquent at the time of the loan purchase or had previously been delinquent and had become current prior to our purchase of the loan, or (ii) because the loan had been modified from its

original terms. We purchased the loans because we believe that we can successfully service the loans and have the borrowers consistently meet their obligations under the loan, which will increase the value of the loans. However, re-performing loans expose us to greater credit risk than other residential mortgage loans because they have a higher risk of delinquency, default and foreclosure than other residential mortgage loans and may result in higher levels of realized losses.

Repayment of our commercial and industrial loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may not be sufficient to repay the loan in the event of default.

We make our commercial and industrial loans primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Collateral securing commercial and industrial loans may depreciate over time, be difficult to appraise and fluctuate in value. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect the amounts due from its customers. As of March 31, 2014, our commercial and industrial loans totaled $299.2 million, or 12.5 percent of our total gross loan portfolio.

We rely on communications, information, operating and financial control systems technology from third-party service providers, and we may suffer an interruption in those systems.

We rely heavily on third-party service providers for much of our communications, information, operating and financial control systems technology, including our online banking services and data processing systems. Any failure or interruption, or breaches in security, of these systems could result in failures or interruptions in our customer relationship management, general ledger, deposit, servicing and/or loan origination systems and, therefore, could harm our business, operating results and financial condition. Additionally, interruptions in service and security breaches could lead existing customers to terminate their banking relationships with us and could make it more difficult for us to attract new banking customers.

We are exposed to risk of environmental liabilities with respect to real properties which we may acquire.

In recent years, due to the continued weakness of the U.S. economy and, more specifically, the California economy, including higher levels of unemployment than the nationwide average and declines in real estate values, many borrowers have been unable to meet their loan repayment obligations and, as a result, we have had to initiate foreclosure proceedings with respect to and take title to an increased number of real properties that had collateralized their loans. As an owner of such properties, we could become subject to environmental liabilities and incur substantial costs for any property damage, personal injury, investigation and clean-up that may be required due to any environmental contamination that may be found to exist at any of those properties, even though we did not engage in the activities that led to such contamination. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties seeking damages for environmental contamination emanating from the site. If we were to become subject to significant environmental liabilities or costs, our business, financial condition, results of operations and prospects could be adversely affected.

The expansion of our single-family residential mortgage loan originations could adversely affect our business, financial condition and results of operations.

A significant portion of our loan originations business consists of providing purchase money loans to homebuyers and refinancing existing loans. The origination of purchase money mortgage loans is greatly influenced by independent third parties involved in the home buying process such as realtors and builders. As a result, our ability to secure

relationships with such independent third parties will affect our ability to grow our purchase money mortgage loan volume and, thus, our loan originations business. Our retail branches and retail

call center also originate refinancings of existing mortgage loans, which are very sensitive to increases in interest rates, and may decrease significantly if interest rates rise.

Our wholesale originations business operates largely through third party mortgage brokers who are not contractually obligated to do business with us. Further, our competitors also have relationships with our brokers and actively compete with us in our efforts to expand our broker networks. Accordingly, we may not be successful in maintaining our existing relationships or expanding our broker networks.

We have made substantial investments to grow our residential mortgage lending business in recent quarters, including adding experienced mortgage loan officers and administrators and management, leasing additional space at our headquarters, opening additional loan production offices, and investing in technology. Our residential mortgage lending business may not generate sufficient revenues to enable us to recover our substantial investment in our residential mortgage lending business, or may not grow sufficiently to contribute to earnings in relation to our investment. Moreover, we may be unable to sell the mortgage loans we originate into the secondary mortgage market at a profit due to changes in interest rates or a reduction in the demand for mortgage loans in the secondary mortgage market. Accordingly, our investment in and expansion of our residential mortgage lending business could adversely affect our business, financial condition and results of operations.

An increase in interest rates, change in the programs offered by governmental sponsored entities (GSE) or our ability to qualify for such programs may reduce our mortgage revenues, which would negatively impact our non-interest income.

Our mortgage banking operations provide a significant portion of our non-interest income. We generate mortgage revenues primarily from gains on the sale of single-family residential loans pursuant to programs currently offered by Fannie Mae, Freddie Mac and other investors on a servicing released basis. These entities account for a substantial portion of the secondary market in residential mortgage loans. Any future changes in these programs, our eligibility to participate in such programs, the criteria for loans to be accepted or laws that significantly affect the activity of such entities could, in turn, materially adversely affect our results of operations. Further, in a rising or higher interest rate environment, our originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage revenues and a corresponding decrease in non-interest income. In addition, our results of operations are affected by the amount of non-interest expense associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations.

Secondary mortgage market conditions could have a material adverse impact on our financial condition and earnings.

In addition to being affected by interest rates, the secondary mortgage markets are also subject to investor demand for single-family residential loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. These conditions may fluctuate or even worsen in the future. Our business strategy is to originate conforming conventional and government residential mortgage loans and a portion of our nonconforming jumbo conventional residential mortgage loans for sale in the secondary market. Originating loans for sale enables us to earn revenue from fees and gains on loan sales, while reducing our credit risk on the loans as well as our liquidity requirements. We also can use the loan sale proceeds to generate new loans.

We rely on government sponsored entities Fannie Mae, Freddie Mac and Ginnie Mae to purchase residential mortgage loans that meet their conforming loan requirements and on other capital markets investors to purchase a portion of our

residential mortgage loans that do not meet those requirements referred to as nonconforming loans. Investor demand for nonconforming loans can be volatile, reducing the demand or pricing for those loans. Reduced demand in the capital markets could cause us to retain more nonconforming loans. In

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addition, we cannot assure you that GSEs will not materially limit their purchases of conforming loans, including because of capital constraints, or change their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). Each of the GSEs is currently in conservatorship, with its primary regulator, the Federal Housing Agency acting as conservator. We cannot predict if, when or how the conservatorship will end, or any associated changes to the GSEs business structure and operations that could result. In addition, there are various proposals to reform the role of the GSEs in the U.S. housing finance market. The extent and timing of any such regulatory reform regarding the housing finance market and the GSEs, including whether the GSEs will continue to exist in their current form, as well as any effect on the Company s business and financial results, are uncertain.

As a result, significant changes in the secondary mortgage market or a prolonged period of secondary market illiquidity may reduce our loan production volumes and could have a material adverse impact on our future earnings and financial condition.

Any breach of representations and warranties made by us to our residential mortgage loan purchasers or credit default on our loan sales may require us to repurchase residential mortgage loans we have sold.

We sell a majority of the residential mortgage loans we originate in the secondary market pursuant to agreements that generally require us to repurchase loans in the event of a breach of a representation or warranty made by us to the loan purchaser. Any fraud or misrepresentation during the mortgage loan origination process, whether by us, the borrower, mortgage broker, or other party in the transaction, or, in some cases, upon any early payment default on such mortgage loans, may require us to repurchase such loans.

We believe that, as a result of the increased defaults and foreclosures during the past several years resulting in increased demand for repurchases and indemnification in the secondary market, many purchasers of residential mortgage loans are particularly aware of the conditions under which originators must indemnify or repurchase loans and would benefit from enforcing any repurchase remedies they may have. We believe that our exposure to repurchases under our representations and warranties includes the current unpaid balance of all loans we have sold, including loans originated and sold by Gateway Business Bank (Gateway) prior to our acquisition of Gateway in 2012. Gateway previously originated loans that had more flexible underwriting guidelines than our current guidelines, and we believe, a higher risk of loss. From 2004 through the time of our acquisition of Gateway, Gateway sold an aggregate of $8.0 billion of residential loans. To recognize the potential loan repurchase or indemnification losses from those loans, we have recorded a reserve of $5.9 million as of March 31, 2014. During 2013, we sold an aggregate of $531.8 million of residential loans. Deterioration in the economy, an increase in interest rates or a decrease in home values could increase customer defaults on residential loans we sold and increase demand for repurchases and indemnification and increase our losses from loan repurchases and indemnifications. If we are required to indemnify purchasers or repurchase loans and incur losses that exceed our reserve, this could adversely affect our business, financial condition and results of operations. In addition, any claims asserted against us in the future by one of our loan purchasers may result in liabilities or legal expenses that could have a material adverse effect on our results of operations and financial condition.

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

As of March 31, 2014, the Company s investment securities portfolio consisted of 80 securities, 67 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company s private label residential mortgage-backed securities and agency residential mortgage-backed securities, as discussed below.

The Company s private label residential mortgage-backed securities that are in a loss position had a fair value of $4.2 million with unrealized losses of $29 thousand at March 31, 2014. The Company s agency residential mortgage-backed securities in a loss position had a fair value of $88.6 million with unrealized losses of approximately $964,000. These residential mortgage-backed securities were rated AA or above at purchase and are not within the scope of ASC 325. The Company regularly ensures that it has adequate credit support and as of March 31, 2014, the

Company believes there is no other than temporary impairment (OTTI) and did not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

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

Rising interest rates may hurt our profits.

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

We face significant operational risks.

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

Managing reputational risk is important to attracting and maintaining customers, investors and employees.

Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies and questionable or fraudulent activities of our customers. We have policies and procedures in place to promote ethical conduct and protect our reputation. However, these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental oversight.

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

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

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

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. At some point, we may need to raise additional capital to support continued growth, both organically and through acquisitions.

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

We depend on our key employees.

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

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

At March 31, 2014, we held $18.9 million of bank-owned life insurance (BOLI) on certain key and former employees and executives, with a cash surrender value of $18.9 million. The eventual repayment of the cash surrender value is subject to the ability of the various insurance companies to pay death benefits or to return the cash surrender value to us if needed for liquidity purposes. We continually monitor the financial strength of the various companies with whom we carry these policies. However, any one of these companies could experience a decline in financial strength, which could impair its ability to pay benefits or return our cash surrender value. If we need to liquidate these policies for liquidity purposes, we would be subject to taxation on the increase in cash surrender value and penalties for early termination, both of which would adversely impact earnings.

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

At March 31, 2014, we owned $18.6 million in Federal Home Loan Bank (FHLB) stock. We are required to own this stock to be a member of and to obtain advances from our FHLB. This stock is not marketable and can only be redeemed by our FHLB. Our FHLB s financial condition is linked, in part, to the eleven other members of the FHLB System and to accounting rules and asset quality risks that could materially lower their capital, which would cause our FHLB stock to be deemed impaired, resulting in a decrease in our earnings and assets.

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

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management,

general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems,

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

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

We are subject to extensive regulation and supervision by the Federal Reserve Board, the OCC and the FDIC. The Federal Reserve Board regulates the supply of money and credit in the United States. Its fiscal and monetary policies determine in a large part our cost of funds for lending and investing and the return that can be earned on those loans and investments, both of which affect our net interest margin. Federal Reserve Board policies can also materially affect the value of financial instruments that we hold, such as debt securities, certain mortgage loans held for sale and mortgage servicing rights (MSRs). Its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans or satisfy their obligations to us. Changes in policies of the Federal Reserve Board are beyond our control and the impact of changes in those policies on our activities and results of operations can be difficult to predict.

The Company and the Bank are heavily regulated. This regulation is to protect depositors, federal deposit insurance funds and the banking system as a whole and not shareholders. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank s operations, reclassify assets, determine the adequacy of a bank s allowance for loan and lease losses and determine the level of deposit insurance premiums assessed.

The federal banking regulatory agencies recently adopted rules to implement a new global regulatory standard on bank capital adequacy referred to as Basel III, as well as to implement new capital requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The new rules increase minimum capital ratios, add a new minimum common equity ratio, add a new capital conservation buffer, and would change the risk-weightings of certain assets. The new rules become effective January 1, 2015, with some changes transitioned to full effectiveness over two to four years.

Congress and federal agencies continually review banking laws, regulations and policies for possible changes. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material adverse impact on our operations. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. Any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition or growth prospects. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things.

Regulations implemented under the Dodd-Frank Act may significantly impact our operations, and we expect to continue to face increased regulation.

Regulations that may be implemented under the Dodd-Frank Act may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue or impose additional

fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations. The Dodd-Frank Act, among other things, established the Consumer Financial Protection Bureau (the CFPB), which is a new regulator with broad authority to administer and enforce consumer financial protection laws. The Dodd-Frank Act enhanced the regulation of mortgage banking and gave authority to the new CFPB to adopt mortgage regulations. New mortgage rules could dramatically alter our residential mortgage business, from application, to underwriting, to closing, and servicing. In addition, many of the other provisions of the Dodd-Frank Act have extended implementation periods and require extensive additional rulemaking, guidance and interpretation by various regulatory agencies. The Dodd-Frank Act calls for many administrative rulemakings by various federal agencies to implement various parts of the legislation. While some rules have been finalized or issued in proposed form, many have yet to be proposed. It is impossible to predict when all such additional rules will be issued or finalized, and what the content of such rules will be. We will have to apply resources to ensure that we are in compliance with all applicable provisions of the Dodd-Frank Act and any implementing rules, which may increase our costs of operations and adversely impact our earnings. We expect that the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretations of those rules, will reduce our revenues, increase our expenses, require us to change certain of our business practices, increase the regulatory supervision of us, increase our capital requirements and impose additional assessments and costs on us, and otherwise adversely affect our business.

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

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

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

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

The Company has a significant deferred tax asset (DTA) and cannot assure that it will be fully realized. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and the tax basis of assets and liabilities computed using enacted tax rates. If we determine that we will not achieve sufficient future taxable income to realize our net deferred tax asset, we are required under generally accepted accounting principles to establish a full or partial valuation allowance. If we determine that a valuation allowance is necessary, we are required to incur a charge to operations. We regularly assess available positive and negative evidence to determine whether it is more likely than not that our net deferred tax asset will be realized. Realization of a deferred tax asset requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. At March 31, 2014, the Company had a net deferred tax asset of none, net of a deferred tax asset valuation allowance of $17.0 million.

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

As of March 31, 2014, the Company did not recognize DTAs. The Company s ability to utilize its DTAs to offset future taxable income may be significantly limited if the Company experiences an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended, referred to herein as the Code. In

general, an ownership change will occur if there is a cumulative change in the Company s ownership by 5-percent or more shareholders (as defined in the Code) that exceeds 50 percentage points over a rolling three-year period. If this were to occur, the Company would be subject to an annual limitation on its pre-ownership change DTAs equal to the value of the corporation immediately before the ownership change, provided that the annual limitation would be increased each year to the extent that there is an unused limitation in a prior year.

Changes in accounting standards may affect our performance.

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

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

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

We may not be able to generate sufficient cash to service our debt obligations, including our obligations under the Senior Notes and the junior subordinated amortizing notes to be issued as part of this offering.

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

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

Our debt level may harm our financial condition and results of operations.

As of March 31, 2014, we had $395.0 million of advances from the Federal Home Loan Bank and $82.4 million in Senior Notes. This does not include the $ million in junior subordinated amortizing notes to be issued as part of this offering ($ million, if the underwriter of this offering exercises its option to purchase additional securities in full). We also had 82,250 shares of preferred stock outstanding, with a liquidation preference of $1,000 per share, issued and outstanding. Our level of indebtedness could have important consequences to you, because:

- A portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;

- It may impair our ability to obtain additional financing in the future;

- It may limit our flexibility in planning for, or reacting to, changes in our business and industry; and

- It may make us more vulnerable to downturns in our business, our industry or the economy in general.

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RISK FACTORS

Risks Relating to This Offering and the Tangible Equity Units

This offering is not contingent upon the Branch Acquisition, and there can be no assurance that the Branch Acquisition will be consummated.

While we intend to use the net proceeds from this offering to consummate the Branch Acquisition and for general corporate purposes, the closing of the Branch Acquisition is subject to certain closing conditions, some of which are beyond our control. No assurance can be given that the Branch Acquisition will be completed in the anticipated timeframe, on the terms described or at all.

Consummation of this offering is not contingent upon the consummation of the Branch Acquisition. If the Branch Acquisition does not close, the net proceeds from this offering will be used for general corporate purposes. Because our management would have broad discretion over the use of the net proceeds from this offering under those circumstances, you may not agree with how we would use the proceeds, and we might not invest the proceeds successfully. Accordingly, you will be relying on the judgment of our management with regard to the use of the proceeds from this offering if the Branch Acquisition is not completed, and you will not have the opportunity, as part of your investment decision to assess whether you believe we are using the proceeds appropriately. It is possible that we may invest the proceeds in a way that does not yield a favorable, or any, return for us.

You assume the risk that the market value of the Company s common stock may decline.

The purchase contracts, pursuant to which the Company will deliver to you shares of its common stock, are components of the units. The number of shares of common stock that you will receive upon settlement of a purchase contract on the mandatory settlement date, whether as a component of a unit or a separate purchase contract, will depend upon the average of the daily volume weighted average prices, or VWAPs, of the Company s common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the mandatory settlement date (the applicable market value). Because the price of the Company s common stock fluctuates, there can be no assurance that the market value of the common stock received by you will be equal to or greater than the reference price of $. If the applicable market value of the Company s common stock is less than the reference price, then the market value of the common stock issued to you on the mandatory settlement date (assuming that the market value is the same as the applicable market value of the common stock) will be less than the effective price per share paid by you for such common stock on the date of issuance of the units. Therefore, you assume the entire risk that the market value of the Company s common stock may decline before the mandatory settlement date. Any decline in the market value of the Company s common stock may be substantial.

You will receive only a portion of any appreciation in the market price of the Company s common stock.

The aggregate market value of the Company s common stock delivered to you upon settlement of a purchase contract generally will exceed the $50 stated amount of each unit only if the applicable market value of the Company s common stock equals or exceeds the threshold appreciation price. Therefore, during the period prior to the mandatory settlement date, an investment in a unit affords less opportunity for equity appreciation than a direct investment in the Company s common stock. If the applicable market value exceeds the reference price but is less than the threshold appreciation price, you will realize no equity appreciation on the Company s common stock above the reference price. Furthermore, if the applicable market price equals or exceeds the threshold appreciation price, you would receive on the mandatory settlement date only approximately % of the value of the shares of the Company s common stock you would have received had you purchased shares of common stock with $50 at the public offering price in the

concurrent public offering . See Description of the Purchase Contracts Delivery of Common Stock for a table showing the number of shares of common stock that you would receive at various applicable market values.

The Company may not be able to settle your purchase contracts and deliver shares of its common stock, or make payments on the amortizing notes, in the event that the Company files for bankruptcy.

If the Company files for bankruptcy protection prior to settlement of the purchase contracts, it may be unable to deliver the Company s common stock to you and, in such circumstances, the Company expects that your claim with respect to the purchase contracts will be relegated to a claim in bankruptcy that ranks equally with the claims of the Company s common shareholders, in which case you will only be able to recover damages to the extent holders of the Company s common stock receive any recovery. See Description of the Purchase Contracts Consequences of Bankruptcy.

In addition, bankruptcy law generally prohibits the payment of pre-bankruptcy debt by a company that has commenced a bankruptcy case while the case is pending. If the Company becomes a debtor in a bankruptcy case, so long as the case were pending you would likely not receive payments of principal and interest due under the amortizing note component of the unit and any distribution at the completion of the bankruptcy proceeding may not be of the full amount owing in respect of such principal and interest.

The trading prices for the units, the purchase contracts and the amortizing notes will be directly affected by the trading prices for the Company s common stock, the general level of interest rates (including changes thereto as a result of Federal Reserve policies) and the Company s credit quality, each of which is impossible to predict.

It is impossible to predict whether the prices of the Company s common stock, interest rates or the Company s credit quality will rise or fall. Trading prices of the common stock will be influenced by the Company s operating results and prospects and by economic, financial, industry and other factors. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, can affect the price of the Company s common stock, as can sales by the Company or its shareholders of substantial amounts of common stock in the market after the offering of the units or the perception that those sales could occur. The market for the Company s common stock likely will influence, and be influenced by, any market that develops for the units or the separate purchase contracts. For example, investors anticipation of the distribution into the market of the additional shares of common stock issuable upon settlement of the purchase contracts could depress the price of the Company s common stock and increase the volatility of the common stock price, which could in turn depress the price of the units or the purchase contracts. The price of the Company s common stock also could be affected by possible sales of such common stock by investors who view the units as a more attractive means of equity participation in the Company and by hedging or arbitrage trading activity that is likely to develop involving the units, separate purchase contracts and the common stock. The arbitrage activity could, in turn, affect the trading prices of the units, the separate purchase contracts and the common stock.

Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the securities.

We expect that many investors in, and potential purchasers of, the Units will employ, or seek to employ, an equity-linked arbitrage strategy with respect to the units. Investors would typically implement such a strategy by selling short the common stock underlying the units and dynamically adjusting their short position while continuing to hold the units. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock. The SEC and other regulatory and self-regulatory authorities have implemented rules and may adopt additional rules or take other actions (including as a result of the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010) that may impact those engaging in short selling activity involving equity securities (including our common stock). In particular, current Rule 201 of SEC Regulation SHO generally restricts the price at which a short sale may be effected when the price of a covered security (including our common stock) triggers a circuit breaker by falling 10% or more

from the security s closing price as of the end of regular trading hours on the prior day. If this circuit breaker is triggered, then for the remainder of the day and

the following day, short sale orders can be displayed or executed only if the order price is above the current national best bid, subject to certain limited exceptions. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the units to effect short sales of our common stock or enter into swaps on our common stock could adversely affect the trading price and the liquidity of the units.

In addition, if investors and potential purchasers seeking to employ an equity-linked arbitrage strategy are unable to borrow or enter into swaps on our common stock, in each case, on commercially reasonable terms, the trading price and liquidity of the units may be adversely affected.

You may receive shares of common stock upon settlement of the purchase contracts that are lower in value than the price of the common stock just prior to the mandatory settlement date.

Because the applicable market value of the common stock is determined over the 20 consecutive trading days ending on the third trading day immediately preceding the mandatory settlement date, the number of shares of common stock delivered for each purchase contract may on the mandatory settlement date be less than the number that would have been delivered based on the VWAP of the common stock on the last trading day in such period. In addition, you will bear the risk of fluctuations in the market price of the shares of common stock deliverable upon settlement of the purchase contracts between the end of such period and the date such shares are delivered.

If you elect to settle your purchase contracts prior to the mandatory settlement date, you may not receive the same return on your investment as purchasers whose purchase contracts are settled on the mandatory settlement date.

Holders of the units or separate purchase contracts have the option to settle their purchase contracts at any time during the period beginning on, and including, the business day immediately succeeding the date of initial issuance of the units and ending on, but excluding, the third business day immediately preceding the mandatory settlement date. However, if you settle your purchase contracts prior to the third business day immediately preceding the mandatory settlement date, you will receive for each purchase contract a number of shares of common stock equal to the minimum settlement rate, regardless of the current market value of the Company s common stock, unless you elect to settle your purchase contracts early in connection with a fundamental change, in which case you will be entitled to settle your purchase contracts at the fundamental change early settlement rate, which may be greater than the minimum settlement rate. In either case, you may not receive the same return on your investment as purchasers whose purchase contracts are settled on the mandatory settlement date.

The settlement rate for the purchase contracts may not be adjusted for all dilutive events.

The number of shares of common stock issuable upon settlement of the purchase contracts is subject to adjustment only for certain events, including, but not limited to stock splits and combinations, the issuance of certain rights, options or warrants to holders of the Company s common stock, stock dividends, certain distributions of assets, indebtedness, capital stock or cash to holders of the Company s common stock and certain tender or exchange offers as described under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates. The number of shares of common stock deliverable upon settlement is not subject to adjustment for other events that may adversely affect the value of the Company s common stock, such as employee stock option grants, offerings of the Company s common stock for cash (including the offering of common stock made concurrently with this offering), certain exchanges of the Company s common stock for other securities of the Company or in connection with acquisitions and other transactions. The terms of the units do not restrict the Company s ability to offer its common stock in the future or to engage in other transactions that could dilute its common stock, which may adversely affect the value of the purchase contracts. The trading price of the Company s common stock may be adversely affected if the Company

issues additional shares of its common stock.

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If the Company exercises its right to defer installment payments on the amortizing notes, the market price of the units and separate amortizing notes is likely to be adversely affected.

The Company will have the right to defer installment payments at any time and from time to time under the circumstances, and subject to the conditions, described under Description of the Amortizing Notes Option to Extend Installment Payment Period so long as such deferral period does not extend beyond May 15, 2019. During any such deferral period, holders of the units and separate amortizing notes will have no remedies against the Company for nonpayment. If the Company exercises its right to defer installment payments, the market price of the units and separate amortizing notes may be more volatile than the market prices of other securities that are not subject to optional payment deferral features.

The secondary market for the units, the purchase contracts and the amortizing notes may be illiquid.

We do not intend to list the units on any securities exchange nor do we intend to list the purchase contracts or the amortizing notes, if any, that have been separated from the units as described under Description of the Tangible Equity Units Separating Tangible Equity Units. Although the Company has been informed by the underwriter that it intends to make a market in the units after the offering is completed, it is not obligated to do so and may discontinue any market-making at any time without notice. Accordingly, an active public trading market may not develop for the units, the purchase contracts or the amortizing notes and, even if one develops, it may not be maintained. If an active public trading market is not developed or maintained, the market price and liquidity of the units, the purchase contracts and the amortizing notes is likely to be adversely affected and holders may not be able to sell these securities at desired times and prices or at all. If the units are traded after their purchase, they may trade at a discount from their purchase price.

The purchase contract agreement will not be qualified under the Trust Indenture Act, and the obligations of the purchase contract agent are limited.

The purchase contract agreement among the Company, the purchase contract agent and the trustee will not be qualified as an indenture under the Trust Indenture Act of 1939, and the purchase contract agent will not be required to qualify as a trustee under the Trust Indenture Act. Thus, you will not have the benefit of the protection of the Trust Indenture Act with respect to the purchase contract agreement or the purchase contract agent. The amortizing notes constituting a part of the units will be issued pursuant to an indenture, which has been qualified under the Trust Indenture Act. Accordingly, if you hold units, you will have the benefit of the protections of the Trust Indenture Act only to the extent applicable to the amortizing notes. The protections generally afforded the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- disqualification of the indenture trustee for conflicting interests, as defined under the Trust Indenture Act;

- provisions preventing a trustee that is also a creditor of the issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under such indenture; and

- the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities.

The Company s obligations to make payments on the amortizing notes are subordinate to its payment obligations under the Company s Senior Debt. The Company will largely depend upon dividends or other intercompany transfers from its subsidiaries to meet its obligations under the amortizing notes. Claims of creditors of these subsidiaries may have priority over claims by the Company with respect to the assets and earnings of these subsidiaries.

The Company obligations under the amortizing notes rank junior in right of payment to all of its existing and future Senior Debt, as defined under the caption Description of the Amortizing Notes Subordination. This means that, unless all Senior Debt is repaid in full, the Company cannot make any payments on the amortizing notes in the event of the Company s bankruptcy, insolvency or liquidation. In addition, the amortizing notes will not be guaranteed by any of the Company s subsidiaries, which are separate legal entities that have no obligation to pay, or make funds available to pay, any amounts due on the amortizing notes. The amortizing notes will therefore be effectively subordinated to all indebtedness and other obligations, including trade payables and preferred stock, if any, of the Company s subsidiaries.

The terms of the indenture do not limit the Company s ability to incur additional debt, including secured or unsecured debt that will rank senior to the amortizing notes and purchase contracts.

The fundamental change early settlement rate may not adequately compensate you.

If a fundamental change occurs and you elect to exercise your fundamental change early settlement right, you will be entitled to settle your purchase contracts at the fundamental change early settlement rate. Although the fundamental change early settlement rate is designed to compensate you for the lost value of your purchase contracts as a result of the early settlement of the purchase contracts, this feature may not adequately compensate you for such loss. In addition, if the stock price in the fundamental change is greater than $ per share (subject to adjustment as described herein), this feature of the purchase contracts will not compensate you for any additional loss suffered in connection with a fundamental change. See Description of the Purchase Contracts Early Settlement Upon a Fundamental Change. In addition, the term fundamental change is limited and may not encompass all transactions that could negatively impact the value of the units.

The Company s obligation to settle the purchase contracts at the fundamental change early settlement rate could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

You have limited remedies for defaults under the indenture.

Although various events (including a payment default) may constitute a default under the indenture, only an event of default as a result of specified events of bankruptcy, insolvency or reorganization of the Company will trigger the right of not less than 25% of holders in aggregate principal amount of the amortizing notes then outstanding to accelerate all amounts due and payable under the amortizing notes. See Description of the Amortizing Notes Events of Default.

You will have no rights as a Company common shareholder until you acquire its common stock.

Until you acquire shares of the Company s common stock upon settlement on the mandatory settlement date or any early settlement, you will have no rights with respect to its common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, but you will be subject to all changes affecting the common stock. You will be entitled to rights with respect to the Company s common stock only when the Company delivers shares of common stock upon settlement of your purchase contracts. For example, if

an amendment is proposed to the Company s charter that requires shareholder approval and the record date for determining the shareholders of record entitled to vote on that amendment occurs prior to the delivery date for common stock under the purchase contracts, then you will not be entitled to vote on that amendment, although you will nevertheless be subject to any changes affecting the rights of holders of the common stock.

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Sales of a significant number of shares of our common stock in the public markets, and other transactions that we may pursue, could depress the market price of our common stock, and therefore the market price of our units.

Sales of a substantial number of shares of our common stock in the public markets and the perception that those sales may occur could adversely affect the market price of our common stock, and therefore the market price of our units. In addition, future issuances of equity securities, including pursuant to the Common Stock Offering and other transactions that we may pursue, may dilute the interests of our existing shareholders, including you, and cause the market price of our common stock to decline, and therefore adversely affect the market price of the tangible equity unit. We may issue equity securities (including convertible securities, preferred securities, and options and warrants on our common or preferred stock) in the future for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity, to address regulatory capital concerns, or to satisfy our obligations upon the exercise of outstanding options or warrants. We may issue equity securities in transactions that generate cash proceeds, such as this offering and the Common Stock Offering and the Direct Offering, transactions that free up regulatory capital but do not immediately generate or preserve substantial amounts of cash, and transactions that generate regulatory or balance sheet capital only and do not generate or preserve cash. We may also issue additional common stock in connection with our mergers and acquisition activities or to meet other regulatory requirements. We cannot predict the effect that these transactions would have on the market price of our common stock or the units.

If you purchase securities in this offering, you will effectively incur immediate and substantial dilution in the book value of the underlying shares of common stock.

If you purchase units in this offering, the value of the underlying shares based on our actual book value will immediately be less than the effective offering price you paid. This reduction in value is known as dilution. As a result of this dilution, investors purchasing units in this offering may receive significantly less than the purchase price paid in this offering in the event of liquidation.

The common stock underlying the units is equity and is subordinate to our existing and future indebtedness and preferred stock.

Shares of common stock are equity interests in us and do not constitute indebtedness. As such, shares of common stock will rank junior to all of our indebtedness and to other non-equity claims against us and our assets available to satisfy claims against us, including in our liquidation. Additionally, holders of our common stock are subject to the prior dividend and liquidation rights of holders of our outstanding preferred stock. We may also issue preferred stock in the future that has a preference over the common stock with respect to the payment of dividends or upon liquidation, dissolution or winding up, or voting rights that dilute the voting power of the common stock. Our board of directors is authorized to issue additional classes or series of preferred stock without any action on the part of the holders of our common stock and we are permitted to incur additional debt. Upon liquidation, lenders and holders of our debt securities and preferred stock would receive distributions of our available assets prior to holders of our common stock.

We will issue up to shares of our common stock if we complete the Common Stock Offering, and may issue additional equity securities in connection with other transactions we may pursue, which could result in dilution to the holders of our common stock.

We could issue up to shares of our common stock in the Common Stock Offering (excluding any shares which may be issued if the underwriter exercises its option to purchase additional securities) and up to

shares of our common stock in the Direct Offering. The issuance of common stock in the Common Stock Offering and the Direct Offering and the issuance of additional equity securities in connection with other transactions we may pursue could cause significant dilution to the holders of our common stock, and therefore will adversely affect holders who purchase units in this offering. We are not restricted from issuing additional

shares of our common stock, including securities that are convertible into or exercisable or exchangeable for common stock, except for the restrictions contained in our purchase agreement with the underwriter, which restricts our ability to do so during the 90-day period beginning on the date of this prospectus supplement.

The U.S. federal income tax consequences relating to the securities are uncertain.

No statutory, judicial or administrative authority directly addresses the characterization of the units or instruments similar to the units for U.S. federal income tax purposes. As a result, some aspects of the U.S. federal income tax consequences of an investment in the securities are not certain. Specifically, the amortizing notes and the purchase contracts could potentially be recharacterized as a single instrument for U.S. federal income tax purposes, in which case (i) you could be required to recognize as income the entire amount of each payment on the amortizing notes (rather than treating a portion as a tax-free return of principal) and (ii) if you are a Non-U.S. Holder (as defined below under Certain U.S. Federal Income Tax Considerations for Non-U.S. Holders), payments made to you on the amortizing notes, including payments denominated as principal, could potentially be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty). No ruling is being requested from the IRS with respect to the units, and no assurance can be given that the IRS will agree with the conclusions expressed below under Certain U.S. Federal Income Tax Considerations. You should consult your own tax advisor regarding potential alternative tax characterizations of the units.

You may be subject to tax upon an adjustment to the settlement rate of the purchase contracts even though you do not receive a corresponding cash distribution.

The settlement rate of the purchase contracts is subject to adjustment in certain circumstances, including upon the payment of certain cash dividends or upon a fundamental change. If the settlement rate is adjusted as a result of a distribution that is taxable to our common shareholders, such as a cash dividend, you will be deemed to have received for U.S. federal income tax purposes a taxable dividend to the extent of our earnings and profits (as determined for U.S. federal income tax purposes) without the receipt of any cash. If you are a Non-U.S. Holder, such deemed dividend may be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be withheld from shares of common stock or sales proceeds subsequently paid or credited to you. See Certain U.S. Federal Income Tax Considerations.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the amortizing notes.

Any default under the agreements governing our other indebtedness could prohibit us from making payments of principal, premium, if any, or interest on the amortizing notes and could substantially decrease the market value of the amortizing notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, or interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or litigation.

We may still be able to incur substantially more indebtedness.

The provisions contained or to be contained in the agreements relating to our indebtedness, including the amortizing notes, will not prohibit us from incurring additional indebtedness, and the amount of indebtedness that we could incur could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future.

If we incur additional secured indebtedness, the holders of that debt will be entitled to priority over the holders of the amortizing notes in any proceeds distributed in connection with any bankruptcy, liquidation, reorganization or similar proceedings. This may have the effect of reducing the amount of proceeds available for payment to holders of the amortizing notes.

We may not have the ability to raise the funds necessary to repurchase the amortizing notes following the exercise of our early mandatory settlement right, and our debt outstanding at that time may contain limitations on our ability to repurchase the amortizing notes.

If we elect to exercise our early mandatory settlement right, holders of the amortizing notes will have the right to require us to repurchase the amortizing notes on the repurchase date at the repurchase price described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder. However, we may not have enough available cash or be able to obtain financing at the time it is required to make repurchases of amortizing notes surrendered for repurchase, particularly as the exercise of such right, or the events giving rise to our exercise of such right, may trigger a similar repurchase requirement for a portion of our other indebtedness. In addition, our ability to repurchase the amortizing notes may be limited by agreements governing our current and future indebtedness. Our failure to repurchase amortizing notes at a time when the repurchase is required by the indenture would constitute a default under the indenture. A default under the indenture could also lead to a default under agreements governing our other indebtedness outstanding at that time. If the repayment of the other indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the amortizing notes.

The amortizing notes will not provide holders with the right to require us to repurchase them upon a fundamental change.

The indenture governing the amortizing notes does not provide holders of amortizing notes with any right to require us to repurchase such notes upon the occurrence of certain events that would constitute a fundamental change as defined under Description of the Purchase Contracts. Accordingly, holders of our amortizing notes will bear the risk that any such fundamental change occurs and adversely affects our capital structure, credit ratings or the value of the amortizing notes.

CONCURRENT OFFERING

Concurrently with this offering, we are offering shares of our common stock (or shares if the underwriters of that offering exercises their option to purchase additional securities in full) pursuant to the Common Stock Offering. We expect to raise approximately $ million in aggregate net proceeds from this offering and the Common Stock Offering (or approximately $ million if the underwriters exercise their option to purchase additional securities in full). However, we may, in our discretion, increase or decrease the size of this offering or the Common Stock Offering.

We cannot assure you that we will complete the Common Stock Offering. Neither of the offerings is conditioned upon the consummation of the other offering.

This description and the other information in this prospectus supplement regarding the Common Stock Offering is included in this prospectus supplement solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or the solicitation of an offer to buy, our common stock.

RECENT DEVELOPMENTS

Branch Acquisition

The following is a summary of the terms of the Branch Acquisition and the Purchase Agreement. A copy of the Purchase Agreement is included as an exhibit to our Current Report on Form 8-K filed with the SEC on April 25, 2014, which is incorporated by reference into this prospectus supplement. The following description of the Purchase Agreement and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to such exhibit.

Background

On April 22, 2014, the Bank entered into the Purchase Agreement with BPNA, pursuant to which the Bank agreed to acquire select assets and assume certain liabilities comprising BPNA s network of 20 California branches. Subject to the terms of the Purchase Agreement, the Bank will pay approximately $5.4 million for the deposits assumed and loans acquired based on March 31, 2014 balances, which equates to an effective deposit premium of 0.5%.

We currently expect the Branch Acquisition to be completed, subject to receipt of all required regulatory approvals and the satisfaction of other closing conditions, in the fourth quarter of 2014.

Terms and Conditions of the Branch Acquisition

At the closing of the Branch Acquisition (the Closing), and subject to the terms of the Purchase Agreement, the Bank will acquire approximately $1.1 billion in loans and assume approximately $1.1 billion of deposit liabilities related to the BPNA Branches. The Bank will also acquire certain other assets relating to the Branches, including owned and leased real and personal property, cash on hand, safe deposit agreements, letters of credit, receivables, prepaid expenses and a limited number of operational contracts with third-party vendors. All of the real property to be sold to the Bank is on an as-is-where-is basis.

The Bank will not acquire the assets or assume the liabilities related to certain businesses of the BPNA Branches to be retained by BPNA, including, among others, BPNA s credit card, health care and direct banking businesses and residential mortgages, and will not acquire any intellectual property of BPNA. BPNA will also retain certain loans relating to the BPNA Branches, including nonperforming and nonaccrual loans, other real estate owned, home equity lines of credit with a combined loan-to-value ratio in excess of 80% or for which the ability to draw on the line has been frozen and loans relating to BPNA s credit card business. Additionally, between the date of the Purchase Agreement and the Closing, the Bank may elect to exclude from the Branch Acquisition certain loans or deposits in circumstances described in the Purchase Agreement, including, among others, (i) loans or deposits with certain noncompliance risk, (ii) other loans up to a $40 million cap, taking into account certain other excluded categories of loans, and (iii) certain certificates of deposit. The actual balance of the loan portfolio acquired at the closing of the Branch Acquisition will also be affected by (i) new loan originations, (ii) utilization of undrawn commitments on lines of credit and (iii) principal repayment or charge-offs on both the acquired loan portfolio and new loan originations.

The Purchase Agreement contains customary representations, warranties and covenants of the parties, including, among others, a covenant that requires BPNA to generally conduct the operations of the BPNA Branches in the ordinary course of business and to refrain from certain kinds of transactions prior to the closing. The Purchase Agreement also contains customary indemnification provisions and indemnification by BPNA for credit losses above 0.5% and up to 2.0% that are identified within two years of the Closing. The Purchase Agreement also includes a customary covenant by BPNA not to engage in certain banking businesses or operations conducted by the BPNA

Branches in the Los Angeles metropolitan statistical area for a period of two years following the Closing, subject to certain customary exemptions.

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Under the Purchase Agreement, the Bank may offer employment to the current employees of the BPNA Branches identified by the Bank in its reasonable discretion. The Purchase Agreement requires that any offers made to employees of the BPNA Branches provide, among other things, annual total compensation that is substantially similar to that provided to similarly situated employees of the Bank, and employee benefits no less favorable, in the aggregate, than those provided to similarly situated employees of the Bank. In addition, through the end of the calendar year in which the Closing occurs, the Bank is required to provide transferring employees with employee benefits that are, in the aggregate, at least as favorable as those provided to similarly situated employees of the Bank. The Bank will credit each employee for the employee s period of service as recognized by BPNA with respect to the Bank s employee benefit plans, practices and policies for purposes of eligibility, vesting and, in the case of vacation, paid time off and severance benefits, for benefit accrual, except for any recognition that would result in the duplication of benefits. BPNA will retain and satisfy all severance benefits payable to employees of the BPNA Branches who do not transfer to the Bank due to (a) not having received an offer of employment from the Bank, (b) having received and rejected an offer of employment from the Bank, or (c) having received an offer of employment from the Bank, but having not returned to active employment within the applicable time period set forth in the Purchase Agreement.

The transaction is subject to customary conditions to closing, including the receipt of all required governmental approvals, the accuracy of both parties representations, the performance in all material respects of all covenants and other agreements required by the Purchase Agreement and the execution and delivery of related transaction documents. In addition, the obligation of the Bank to complete the transaction is subject to its receipt of financing necessary to complete the transaction on the terms set forth in the Purchase Agreement. The Bank is obligated to pay a fee of $2 million if the Purchase Agreement is terminated in certain circumstances, including, among others, if BPNA terminates the Purchase Agreement because the Bank fails to obtain acceptable financing to enable the Bank to consummate the transaction by September 30, 2014.

Reasons for the Branch Acquisition

The following summarizes what we believe are the major objectives and anticipated benefits of the Branch Acquisition:

The Branch Acquisition represents a unique opportunity to acquire 20 bank branches in a market with which we have great familiarity. We believe that the Branch Acquisition will result in earnings growth and strengthen our franchise.

The size of the Branch Acquisition, in terms of loans to be acquired, deposit liabilities to be assumed and the number of branches to be acquired, presents us with an attractive opportunity to enhance our position in the California banking market. The Branch Acquisition meaningfully accelerates Banc of California s growth strategy, resulting in pro forma assets of over $5 billion and over $3 billion of core deposits in the Los Angeles metropolitan statistical area.

Our size relative to our competitors smaller than large banks having a national reach, but larger than small local banks will provide us with a strategic advantage in continuing to serve a segment of the market that desires both personalized attention and access to a broad array of financial products and services offered at competitive prices.

The total loan portfolio of approximately $1.1 billion that we expect to acquire as part of the Branch Acquisition presents limited risk. The portfolio to be acquired excludes certain categories of higher risk loans, including nonperforming and nonaccrual loans and home equity lines of credit with a combined loan-to-value ratio in excess of 80% or for which the ability to draw on the line has been frozen. Additionally, between the date of the Purchase Agreement and the Closing, the Bank may elect to exclude from the Branch Acquisition certain other loans or deposits in circumstances

described above. The Purchase Agreement also includes a loss sharing provision pursuant to which BPNA will indemnify the Bank for credit losses above 0.5% and up to 2.0% that are identified within two years of the Closing.

The commercial portfolio we expect to acquire in the Branch Acquisition would increase balance sheet diversification by reducing residential loans from 40% to 30% of total loans.

For a discussion of the potential risks inherent in the Branch Acquisition, see Risk Factors Risks Relating to Our Pending Branch Acquisition from Banco Popular.

Transfer to New York Stock Exchange Listing

On May 14, 2014, the Company announced its intention to transfer the listing of its shares of voting common stock to the New York Stock Exchange and to voluntarily delist its shares from the Nasdaq Global Select Market in connection with such transfer. The Company s shares are expected to commence trading on the New York Stock Exchange under the stock symbol BANC on May 29, 2014. For more information, please see the Company s Current Report on Form 8-K filed with the SEC on May 14, 2014.

Concurrent Offering

Concurrently with this offering, the Company is offering shares of our common stock (or shares of our common stock if the underwriters of that offering exercise their option to purchase additional securities in full). We estimate that the net proceeds of the Common Stock Offering will be approximately $ million plus net proceeds of up to an additional $ million if the underwriter s option to purchase additional securities is exercised in full (in both cases based on an assumed offering price of $, and after deducting underwriting discounts and commissions and expenses payable by us), although there can be no assurance that the Common Stock Offering will be completed. See Concurrent Offering.

The common stock is being offered by means of a separate prospectus supplement and not by means of this prospectus supplement. Neither of the offerings is conditioned upon the consummation of the other offering.

USE OF PROCEEDS

We estimate that the net proceeds of this offering will be approximately $ (or approximately $ if the underwriter s option to purchase additional securities with respect thereto is exercised in full), based on the public offering price of $50 per unit, after deducting underwriting commissions and expenses. We estimate that the net proceeds from the Common Stock Offering will be approximately $ (or $ if the underwriters of that offering exercise in full their option to purchase additional securities). We intend to use approximately $ million net proceeds from this offering, the Direct Offering and the Common Stock Offering to consummate the Branch Acquisition and the remainder for general corporate purposes.

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RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Our historical ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred stock dividend requirements for the periods indicated are set forth in the table below. The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. The ratio of earnings to combined fixed charges and preferred stock dividends is computed by dividing earnings by the sum of fixed charges and preferred stock dividends. For purposes of computing these ratios, earnings consist of income before income taxes plus interest expense, and fixed charges consist of interest expense and the interest portion of our rental expense. Preferred stock dividend requirements represent the amount of pre-tax income required to pay dividends on preferred shares using our 42% marginal income tax rate.

	Three Months Ended March 31,		Year Ended December 31,				
	2014	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
Ratio of earnings to fixed charges[1]							
Excluding interest on deposits	0.88x	1.51x	1.49x	2.44x	(1.58x)	2.25x	0.47x
Including interest on deposits	0.96x	1.27x	1.19x	1.54x	0.48x	1.34x	0.84x
Ratio of earnings to combined fixed charges and preferred stock dividends:[2]							
Excluding interest on deposits	0.58x	1.23x	2.31x	1.47x	(0.91x)	1.45x	0.35x
Including interest on deposits	0.81x	1.13x	1.37x	1.23x	0.42x	1.17x	0.77x

(1) The ratios of earnings to fixed charges for both excluding and including interest on deposits were less than one-to-one for the three months ended March 31, 2014 and the years ended December 31, 2011 and 2009. Earnings were insufficient to cover fixed charges by $361 thousand, $3.2 million and $2.8 million, respectively, for those periods.

(2) The ratios of earnings to fixed charges and preferred stock dividends both excluding and including interest on deposits were less than one-to-one for the three months ended March 31, 2014 and the years ended December 31, 2011 and 2009. Earnings were insufficient to cover fixed charges by $1.9 million, $4.1 million and $4.5 million, respectively, for those periods.

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PRICE RANGE OF VOTING COMMON STOCK AND DIVIDENDS

Our voting common stock is currently listed on the Nasdaq Global Select Market under the symbol BANC. On May 14, 2014, we announced our intention to transfer the listing of our shares of voting common stock to the New York Stock Exchange and to voluntarily delist our shares from the Nasdaq Global Select Market in connection with such transfer. Our shares are expected to commence trading on the New York Stock Exchange under the stock symbol BANC on May 29, 2014.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our voting common stock as reported on the Nasdaq Global Select Market, as well as the cash dividends declared per share of our common stock, for each of those periods.

	High	Low	Dividend Declared
Year Ending December 31, 2014			
Second quarter (through May 14, 2014)	$ 12.71	$ 10.66	$ 0.12
First quarter	13.91	12.00	0.12
Year Ending December 31, 2013			
Fourth quarter	$ 14.75	$ 12.19	$ 0.12
Third quarter	15.88	12.88	0.12
Second quarter	13.98	11.00	0.12
First quarter	12.35	10.08	0.12
Year Ended December 31, 2012			
Fourth quarter	$ 12.64	$ 10.51	$ 0.12
Third quarter	13.11	10.25	0.12
Second quarter	12.81	10.28	0.12
First quarter	13.34	10.59	0.12

On May 14, 2014, the last reported sale price of our voting common stock was $10.72 per share. As of May 12, 2014, we had approximately 1,269 holders of record of our voting common stock. This total does not reflect the number of persons or entities who hold stock in street name through various banks, brokerage firms and other nominees. As of May 12, 2014, there were (i) 21,487,893 shares of our voting common stock issued (with 1,625,950 shares held in treasury) and 19,861,943 shares outstanding and (ii) 596,018 shares of our non-voting common stock issued and outstanding. Holders of our non-voting common stock rank equally with the holders of our voting common stock with respect to dividends and with respect to all other matters, except that holders of the non-voting common stock do not have voting rights except as required by law. See Description of Common Stock and Preferred Stock Common Stock in the accompanying prospectus.

The timing and amount of cash dividends paid on our common stock depends on our earnings, capital requirements, financial condition, regulatory requirements, dividends on our outstanding preferred stock (which rank senior to our common stock with respect to cash dividends) and other relevant factors and is subject to the discretion of our board of directors. In addition, we will be restricted from paying dividends on our common stock during any extension of the installment payment period under the amortizing notes or if an event of default with respect to the amortizing notes has occurred and is continuing. See Description of the Amortizing Notes Restrictions Applicable During an Extension Period and Certain Other Circumstances.

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UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed consolidated statement of financial condition has been prepared using the acquisition method of accounting and has been derived from our historical consolidated statement of financial condition as of March 31, 2014, adjusted to give effect to the proposed acquisition of assets and assumption of liabilities in connection with the Branch Acquisition and the estimated purchase accounting adjustments resulting from the Branch Acquisition and the estimated receipt of proceeds from this offering, the Direct Offering and the Common Stock Offering (collectively, the Transactions) as though the Transactions were completed on March 31, 2014. You should read the unaudited pro forma combined condensed consolidated statement of financial condition in conjunction with our historical consolidated statement of financial condition as of March 31, 2014 and the related notes.

The unaudited pro forma combined condensed consolidated statement of financial condition is presented for illustrative purposes only and is not necessarily indicative of the financial position that would have been achieved were the Transactions completed on such date. The unaudited pro forma combined condensed consolidated statement of financial condition also does not purport to project our consolidated statement of financial condition for any future period.

For purposes of the unaudited pro forma combined condensed consolidated financial information, the fair value of our common stock to be issued in the Direct Offering was assumed to be $11.50 per share. The actual value of our common stock at the closing of the Direct Offering could be different.

The pro forma financial information includes estimated fair values of assets and liabilities of BPNA and represents our estimates based on available information. The pro forma adjustments included herein are subject to change in accordance with the terms of the Purchase Agreement, as additional information becomes available and additional analyses are performed. The allocation of the purchase price for the Branch Acquisition will be determined after the analyses to determine the fair value of the acquired assets and liabilities are completed subsequent to the closing of the Branch Acquisition. Increases or decreases in the estimated fair values of the net assets as compared with the information shown in the unaudited pro forma combined condensed consolidated statement of financial condition will affect the amount of the purchase price allocated to goodwill and other assets and liabilities. The actual adjustments may be materially different from those reflected in the unaudited pro forma adjustments presented herein.

The unaudited pro forma combined condensed consolidated financial information, although helpful in illustrating the financial characteristics of the company under one set of assumptions, does not necessarily reflect the exact opportunities to earn additional revenue following the completion of the Branch Acquisition and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the Transactions been completed at March 31, 2014.

The unaudited pro forma shareholders equity is qualified by the statements set forth above and below and should not be considered indicative of the market value of Banc of California, Inc. s common stock or the actual or future consolidated results of operations of Banc of California, Inc. for any period. Actual results may be materially different than the pro forma statement of financial condition presented.

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Unaudited Pro Forma Combined Condensed Consolidated Statement of Financial Condition* As of March 31, 2014

$ in millions

	3/31/2014	BPNA Acquisition					
	BANC historical	Assets acquired and liabilities assumed[1]	Acquisition accounting adjustments	Voting common stock offering[8]	Units Offering [9]	Closings under the Direct Offering[10]	BANC pro forma
Assets:							
Cash and investment securities	$ 469.7	$ (23.4)	$ (5.4)[2]	$ 47.3	$ 47.6	$ 41.4	$ 577.2
Loans Held for sale	1,000.4						1,000.4
Loans	2,397.0	1,142.7	(11.4)[3]				3,528.3
Less: Allowance for Loan Losses	(20.0)						(20.0)
Net loans and leases	2,377.0	1,142.7	(11.4)				3,508.3
Goodwill	32.9		6.1[4]				39.0
Other identifiable intangibles, net	11.2		8.4[5]				19.6
Other assets	139.4	8.5	2.3[6]				150.2
Total Assets	**$ 4,030.6**	**$ 1,127.8**	**$**	**$ 47.3**	**$ 47.6**	**$ 41.4**	**$ 5,294.7**
Liabilities & Shareholders Equity:							
Deposits	$ 3,109.1	$ 1,127.8	$ [7]	$	$	$	$ 4,236.9
FHLB Advances	395.0						395.0
Notes Payable	82.4						82.4
Amortizing Notes					10.4		10.4
Other Borrowings	70.0						70.0
Other Liabilities	48.8						48.8
Total Liabilities	3,705.3	1,127.8			10.4		4,843.5
Total Shareholders Equity	325.3			47.3	37.2	41.4	451.2
Liabilities & Shareholders Equity	**$ 4,030.6**	**$ 1,127.8**	**$**	**$ 47.3**	**$ 47.6**	**$ 41.4**	**$ 5,294.7**

(See Notes to the Unaudited Pro Forma Combined Condensed Consolidated Statement of Financial Condition below)

* Numerical notes included within Note B, below.

Notes to the Unaudited Pro Forma Combined Condensed Consolidated Statement of Financial Condition

Note A Basis of Presentation. The unaudited pro forma combined condensed consolidated statement of financial condition and explanatory notes show the impact on our historical consolidated statement of financial condition resulting from the Branch Acquisition under the acquisition method of accounting, in addition to this offering, the Common Stock Offering and the Direct Offering. Under the acquisition method of accounting, the assets acquired and liabilities assumed of BPNA will be prospectively recorded at their respective fair values on the date the Branch Acquisition is completed, however, pre-acquisition fair value estimates are used for this presentation. The unaudited pro forma combined condensed consolidated statement of financial condition combines our historical consolidated statement of financial condition as of March 31, 2014 and the acquired

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BPNA Branches as of March 31, 2014, and assumes that the Branch Acquisition, the Direct Offering, this offering and the Common Stock Offering were completed on March 31, 2014.

The Branch Acquisition will be recorded using the acquisition method of accounting, all loans are recorded at fair value, including adjustments for credit, and no allowance for loan losses is expected to be carried over.

Note B Pro Forma Adjustments. The following pro forma adjustments have been reflected in the unaudited pro forma combined condensed financial information. All adjustments are based on current assumptions and valuations, which are subject to change.

(1) Represents the assets acquired and liabilities assumed in the Branch Acquisition as of March 31, 2014.

(2) Represents the estimated net consideration paid for the Branch Acquisition based upon loan and deposit balances as of March 31, 2014.

(3) Represents the estimated fair value adjustment to loans, which includes an estimated (1.0%) fair value mark. No explicit value has been separately assigned for the loss sharing provision.

(4) Represents adjustments to goodwill resulting from recording the assets and liabilities of the Branch Acquisition at estimated fair value.

(5) Represents the recognition of estimated fair value of a core deposit intangible asset associated with the deposit liabilities assumed.

(6) Represents the estimated fair value adjustment to fixed assets and real property based on estimated current market value.

(7) Estimates for the core deposit intangible reflected in Intangible assets. An estimated fair value mark for time deposits has not been developed.

(8) Represents approximately $47 million in estimated net proceeds from the Common Stock Offering (assuming no exercise of the underwriter s option to purchase additional securities).

(9) Represents approximately $48 million in estimated net proceeds from this offering (assuming no exercise of the underwriter s overallotment option).

(10) Represents approximately $41 million in estimated net proceeds from the Direct Offering.

Note C Merger and Acquisition Integration Costs. In connection with the Branch Acquisition, the Company expects to incur merger-related costs including professional fees, legal fees, system conversion costs and costs related to communications with customers and others. To the extent there are costs associated with these actions, the costs will be recorded based on the nature of the cost and the timing of these integration actions. No such costs were considered in the accompanying unaudited pro forma combined condensed consolidated statement of financial condition.

Impact of the Branch Acquisition on Operating Performance

The following discussion represents our current assessment of the incremental impact of the Branch Acquisition on our operating performance. Numerous factors, including factors outside our control (such as the

general level of interest rates and both national and regional economic conditions), may significantly alter the effects described below. As such, there can be no assurance that effects of the Branch Acquisition will meet our expectations.

Significant Assumptions. In addition to the assumptions stated below, we made the following assumptions in arriving at the current assessment of the incremental impact of the Branch Acquisition on our operating performance discussed in this prospectus supplement: (i) the outlook for regional and national economic conditions and interest rates will remain relatively stable, (ii) customers located in the markets served by the BPNA Branches have similar needs and desires as our current customers in our current markets, (iii) the cost to operate the BPNA Branches will be consistent with our current expectations. While we believe these assumptions and the other assumptions stated throughout this section are reasonable, there can be no assurance that actual results will be consistent with these assumptions.

Net Interest Income. Upon consummation of the Branch Acquisition, we expect to assume approximately $1.1 billion in deposit liabilities and acquire approximately $1.1 billion in loans. In addition, we expect to receive approximately $47 million in estimated net proceeds from the Common Stock Offering, approximately $48 million in estimated net proceeds from this offering and approximately $41 million in estimated net proceeds from the Direct Offering.

Upon consummation of the Branch Acquisition, we expect to acquire approximately $1.1 billion in loans, including accrued interest receivable. The acquired loan portfolio will consist of commercial real estate, multifamily, commercial and industrial, certain home equity, and other loans (including construction loans). The following table highlights the net acquired loans by type and estimated weighted average contractual yield as of March 31, 2014.

Acquired Loans ($mm)	**Balance**	**Yield**
Commercial real estate	$ 536.7	5.17%
Multifamily	495.6	4.43
Commercial & Industrial	66.8	4.69
Home equity and other loans	43.5	4.17
Total Loans	**$ 1,142.7**	**4.78%**

Upon transaction close, we expect to assume approximately $1.1 billion in deposits, including accrued interest payable. The impact of the Branch Acquisition on interest expense is expected to include interest expense of the BPNA Branches deposits, which had an average contractual cost of approximately 0.47%. We believe that our product and services offerings are comparable to those offered by BPNA and that we will be able to provide a similar level of service to the customers acquired. The following table summarizes the net deposits assumed by type and estimated weighted average contractual interest rates as of March 31, 2014.

Assumed Deposits ($mm)	**Balance**	**Rate**
Interest bearing	$ 688.1	0.22%
Noninterest bearing	152.2	0.00
Certificates	287.5	1.32
Total Loans	**$ 1,127.8**	**0.47%**

We expect the net interest spread of the BPNA Branches to be initially greater than 4.00%.

Provision for Credit Losses. Since we will record all acquired loans at their fair value on the date of the closing of the Branch Acquisition, we expect future additions to the allowance for credit losses related to such loans will be minimal for the foreseeable future to the extent that the estimates of fair value are accurate. In addition, the Purchase Agreement includes a loss sharing provision that provides a 1.50% indemnification for all

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credit losses above 0.50% based on unpaid principal balance within a two-year period. Further, certain non-performing loans will be excluded from the Branch Acquisition. After completion of the Branch Acquisition, actual provision expense will be based on numerous factors, including the state of the national and regional economies, local real estate values, asset quality trends, delinquencies and charge-offs.

Noninterest Income. We expect that noninterest income related to the Branch Acquisition to consist of service charges and fees derived from assumed deposit relationships.

Noninterest Expense. We expect that noninterest expense related to the Branch Acquisition to include a combination of the following: (i) the cost to operate each individual branch, which is a combination of branch employees and other standard branch maintenance functions, (ii) FDIC deposit insurance premiums, (iii) expenses associated with the centralization of support functions and costs incurred to expand and enhance the services, products and support provided to the BPNA Branches customers.

Income Taxes. We estimate that the marginal tax rate that results from the Branch Acquisition will be approximately 42%.

Pro Forma Capital Ratios

Set forth below are the capital ratios for the Company and the Bank as of March 31, 2014, on an actual basis and a pro forma basis, giving effect to the completion of this offering, the Direct Offering, the Common Stock Offering and the Branch Acquisition, and assuming no exercise of the overallotment options by the underwriters of this offering and the Common Stock Offering. While no assurance can be given, we expect that upon the completion of this offering, the Direct Offering, the Common Stock Offering and the Branch Acquisition, after giving effect to the estimated acquisition accounting adjustments and the recording of goodwill and intangibles, the Company and the Bank will remain well-capitalized.

	As of March 31, 2014	
	Actual	**Pro Forma[1]**
Banc of California, N.A.		
Tier 1 Leverage Ratio	9.4%	9.3%
Tier 1 risk based capital ratio	13.5%	13.1%
Total risk based capital ratio	14.5%	14.2%
Banc of California, Inc.		
Tier 1 Leverage Ratio	7.6%	7.9%
Tier 1 risk based capital ratio	10.9%	11.2%
Total risk based capital ratio	11.9%	12.3%

[1] For this presentation, all pro forma net proceeds from the Transactions are contributed to Banc of California, N.A.

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CAPITALIZATION

The following table shows our historical capitalization as of March 31, 2014:

- on an actual basis;
- as adjusted to give effect to the proceeds of $ from the Common Stock Offering, net of underwriting discounts and commissions, assuming the underwriters do not exercise their option to purchase additional shares of our voting common stock;
- as adjusted to further give effect to the proceeds of $ from the units offered hereby, net of underwriting discounts and commissions, assuming the underwriter does not exercise its option to purchase additional units; and
- on a pro forma basis to further give effect to the Direct Offering and pending Branch Acquisition, as described under Unaudited Pro Forma Combined Condensed Consolidated Financial Information.

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The following table should be read in conjunction with our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus and in conjunction with the Unaudited Pro Forma Combined Condensed Statement of Financial Condition as of March 31, 2014 and the related notes thereto.

	March 31, 2014 (In thousands of dollars)			
	Actual	As Adjusted for the Common Stock Offering	As Adjusted for this Offering	Pro Forma
Short-term debt				
FHLB advances	$ 395,000	$ 395,000	$ 395,000	$ 395,000
Other Short Term Borrowings (Federal Funds and Repurchase Agreements)	70,000	70,000	70,000	70,000
Total short-term debt	465,000	465,000	465,000	465,000
Long-term debt				
Senior notes due 2020, net of $2.334 million discount	82,416	82,416	82,416	82,416
Secured borrowings	686	686	686	686
Amortizing notes to be issued in connection with the Units Offering	-	-	(3)	
Total long-term debt	83,102	83,102		
Shareholder s equity				
Preferred stock, $0.01 par value per share, 50,000,000 shares authorized, 82,250 shares issued and outstanding at March 31, 2014 (82,250 shares outstanding, as adjusted and pro forma)	79,877	79,877	79,877	79,877
Common stock, $0.01 par value per share, 446,863,844 shares authorized, 21,131,708 shares issued and 19,666,469 shares outstanding at March 31, 2014 (shares outstanding, as adjusted, and shares outstanding pro forma)	211	(1)		(5)
Class B non-voting non-convertible common stock, $0.01 par value per share, 3,136,156 shares authorized, 590,068 shares issued and outstanding at March 31, 2014	6	6	6	6
Additional paid-in capital	258,861	(2)	(4)	(6)
Retained earnings	14,398	14,398	14,398	14,398
Treasury stock, at cost (March 31, 2014; 1,465,239 shares)	(27,726)	(27,726)	(27,726)	(27,726)
Accumulated other comprehensive income, net	(301)	(301)	(301)	(301)
Total shareholders equity	325,326			

Total capitalization	**$ 873,428**	**$**	**$**	**$**

(1) $0.01 par value per share on shares issued, based on gross $ from the Common Stock Offering.
(2) Additional paid-in capital resulting from the Common Stock Offering net proceeds of $.
(3) Represents an estimated % allocation of the $ gross offering of units hereby, in connection with the debt component.
(4) Represents an estimated % allocation of the $ gross offering of units hereby, in connection with the prepaid stock purchase component.
(5) $0.01 par value per share on shares issued, based on gross $ closings under the Direct Offering.
(6) Additional paid-in capital resulting from net proceeds of $ from closings under the Direct Offering.

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DESCRIPTION OF THE TANGIBLE EQUITY UNITS

The Company is offering 1,000,000 tangible equity units (or 1,150,000 tangible equity units if the underwriter exercises its option to purchase additional securities in full), each with a stated amount of $50. Each tangible equity unit is a unit composed of a prepaid stock purchase contract (a purchase contract) and a junior subordinated amortizing note (amortizing note) issued by Banc of California, Inc. (the Company). The following description of the terms of the tangible equity units, the description of the terms of the purchase contracts set forth under the caption Description of the Purchase Contracts and the description of the terms of the amortizing notes set forth under the caption Description of the Amortizing Notes in this prospectus supplement are only summaries of the material terms of the tangible equity units and their components but are not complete. The Company refers you to:

- the purchase contract agreement to be entered into between the Company and U.S. Bank National Association, as purchase contract agent and U.S. Bank National Association as trustee under the indenture described below (the purchase contract agreement) to be dated as of May , 2014, under which the purchase contracts and tangible equity units will be issued; and

- the indenture, and a related supplemental indenture for such amortizing notes, each to be dated as of May , 2014 and each between the Company, as issuer, and U.S. Bank National Association, as trustee, under which the amortizing notes will be issued.

The form of indenture has been, and the related supplemental indenture for the amortizing notes and the purchase contract agreement will be, filed as exhibits to the registration statement of which this prospectus supplement forms a part or in a Current Report on Form 8-K incorporated by reference into this prospectus supplement. Whenever particular sections or defined terms are referred to, such sections or defined terms are incorporated herein by reference.

As used in this section, the terms the Company, we, us and our mean Banc of California, Inc. and do not include an of its existing or future subsidiaries.

Components of the Tangible Equity Units

Each tangible equity unit offered is a unit composed of:

- a prepaid purchase contract pursuant to which the Company will deliver to the holder, not later than May 15, 2017 (the mandatory settlement date), a number of shares of the Company s common stock equal to the settlement rate described below under Description of the Purchase Contracts Delivery of Common Stock, subject to adjustment; and

- a junior subordinated amortizing note issued by the Company with an initial principal amount of $ that pays equal quarterly installments of $ per amortizing note through and including May 15, 2017, which in the aggregate would be equivalent to a % cash distribution per year on the $50 stated amount per tangible equity unit.

Unless previously settled at your option as described in Description of the Purchase Contracts Early Settlement or Description of the Purchase Contracts Early Settlement Upon a Fundamental Change, or at our option as described in Description of the Purchase Contracts Early Settlement at Our Election, the Company will deliver to you not more than shares and not less than shares of Company common stock, $0.01 par value per share (the common stock), on the mandatory settlement date, based upon the applicable settlement rate (as defined below), which is subject to adjustment as described herein, and the applicable market value (as defined below) of Company common stock, as described below under Description of the Purchase Contracts Delivery of Common Stock.

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Each amortizing note will have an initial principal amount of $. On each February 15, May 15, August 15 and November 15, commencing on August 15, 2014, the Company will pay equal quarterly installments of $ on each amortizing note. The quarterly installment payable on August 15, 2014, however, will be $. Each installment will constitute a payment of interest (at a rate of % per annum) and a partial repayment of principal on the amortizing note, allocated as set forth on the amortization schedule set forth under Description of the Amortizing Notes Amortization Schedule. The Company will have the right to defer installment payments at any time and from time to time under the circumstances, and subject to the conditions, described under Description of the Amortizing Notes Option to Extend Installment Payment Period so long as such deferral period does not extend beyond May 15, 2019.

For a description of the Company common stock, you should read Description of Common Stock and Preferred Stock in the accompanying prospectus.

The stated amount of each tangible equity unit must be allocated between the amortizing note and the purchase contract based upon their relative fair market values. The Company has determined that the fair market value of each amortizing note is $ and the fair market value of each purchase contract is $. This position will be binding upon each holder (but not on the Internal Revenue Service) unless such holder explicitly discloses a contrary position on a statement attached to such holder s timely filed U.S. federal income tax return for the taxable year in which it acquires a tangible equity unit (notwithstanding that such disclosure would be in violation of such holder s agreement to treat such allocation in the manner described below).

Separating and Recreating Tangible Equity Units

Upon the conditions and under the circumstances described below, a holder of a tangible equity unit will have the right to separate a tangible equity unit into its component parts, and a holder of a separate purchase contract and a separate amortizing note will have the right to combine the two components to recreate a tangible equity unit. Holders electing to separate or recreate tangible equity units will be responsible for any fees or expenses payable in connection with such separation or recreation, and we will not be responsible for any such fees or expenses.

Separating Tangible Equity Units

At initial issuance, the purchase contracts and amortizing notes may be purchased and transferred only as tangible equity units and will trade under the CUSIP number for the tangible equity units.

On any business day during the period beginning on, and including, the business day immediately succeeding the date of initial issuance of the tangible equity units to, but excluding, the third business day immediately preceding the mandatory settlement date, you will have the right to separate your tangible equity unit into its constituent purchase contract and amortizing note (which the Company refers to as a separate purchase contract and a separate amortizing note, respectively, and which will thereafter trade under their respective CUSIP numbers), in which case that tangible equity unit will cease to exist.

Your tangible equity units, purchase contract and amortizing note will be represented by global securities registered in the name of a nominee of The Depository Trust Company (DTC). You will not be entitled to receive definitive physical certificates for your tangible equity units, purchase contracts or amortizing notes, except under the limited circumstances described under Book-Entry Procedures and Settlement Definitive Securities and Paying Agent. Beneficial interests in a tangible equity unit and, after separation, the separate purchase contract and separate amortizing note will be shown on and transfers will be effected through direct or indirect participants in DTC. In order to separate your tangible equity unit into its component parts, you must deliver written instructions to the broker or

other direct or indirect participant through which you hold an interest in your tangible equity units (your participant) to notify DTC through DTC s Deposit/Withdrawal at Custodian (DWAC) System of your election to separate the tangible equity units.

Separate purchase contracts and separate amortizing notes will be transferable independently from each other.

The term business day means any day other than a Saturday, Sunday or any day on which banking institutions or trust companies in New York, New York are authorized or obligated by applicable law, regulation or executive order to close.

Recreating Tangible Equity Units

On any business day during the period beginning on, and including, the business day immediately succeeding the date of initial issuance of the tangible equity units to, but excluding, the third business day immediately preceding the mandatory settlement date, if you beneficially own a separate purchase contract and a separate amortizing note, you may recreate a tangible equity unit by delivering written instructions to your participant to notify DTC through its DWAC System of your desire to recreate the tangible equity unit.

Title

The Company and the purchase contract agent may treat the registered owner of any tangible equity unit or separate purchase contract or amortizing note as the absolute owner of the tangible equity unit or separate purchase contract or amortizing note for the purpose of settling the related purchase contracts or amortizing note and for all other purposes.

Deemed Actions by Holders by Acceptance

Each purchaser or holder of tangible equity units or separate purchase contracts, by acceptance of such securities, will be deemed to have:

- irrevocably authorized and directed the purchase contract agent to execute and deliver on its behalf and perform the purchase contract agreement on its behalf, and appointed the purchase contract agent as its attorney-in-fact for any and all such purposes;

- in the case of a purchase contract that is a component of a tangible equity unit, or that is evidenced by a separate purchase contract, irrevocably authorized and directed the purchase contract agent to execute, deliver and hold on its behalf the separate purchase contract or the component purchase contract evidencing such purchase contract, and appointed the purchase contract agent as its attorney-in-fact for any and all such purposes;

- consented to, and agreed to be bound by, the provisions of the purchase contract agreement;

- represented and warranted in both its individual capacity and its representative capacity (if any), on each day from the date on which the purchaser or holder acquires its interest in our tangible equity units (or either components thereof) to the date on which the purchaser or holder disposes of its interest in our tangible equity units (or either components thereof) and the shares of our common stock acquired upon settlement of the purchase contract component of the tangible equity units, that either:

  - its purchase and holding of our tangible equity units (or either components thereof) and the acquisition of shares of our common stock upon settlement of the purchase contract component of the tangible equity

units is not made on behalf of or with plan assets of (a) any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), or (b) any plan, individual retirement account or other arrangement that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the Code), or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, Similar Laws); or

if its purchase and holding of such investment is made on behalf of or with plan assets of any such plan, account or arrangement, then (a) its acquisition and holding of such investment will not

result in (i) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (ii) a similar violation under any applicable Similar Laws, (b) neither we nor any of our affiliates is acting as a fiduciary (within the meaning of Section 3(21) of ERISA) in connection with the purchase or holding of such investment, and (c) neither we nor any of our affiliates has provided any advice that has formed or may form a basis for any investment decision concerning the purchase or holding of such investment; and

in the case of a holder of a tangible equity unit, agreed, for all purposes, including U.S. federal income tax purposes, to treat:

a tangible equity unit as an investment unit composed of two separate instruments, in accordance with its form;

the amortizing notes as indebtedness of the Company; and

the allocation of the $ stated amount per tangible equity unit between the purchase contract and the amortizing note so that such holder s initial tax basis in each purchase contract will be $ and such holder s initial tax basis in each amortizing note will be $.

Replacement of Tangible Equity Unit Certificates

In the event that physical certificates evidencing the tangible equity units have been issued, any mutilated tangible equity unit certificate will be replaced by the Company at the expense of the holder upon surrender of the certificate to the purchase contract agent. Tangible equity unit certificates that become destroyed, lost or stolen will be replaced by the Company at the expense of the holder upon delivery to the Company and the purchase contract agent of evidence of their destruction, loss or theft satisfactory to the Company and the purchase contract agent. In the case of a destroyed, lost or stolen tangible equity unit certificate, an indemnity satisfactory to the purchase contract agent and the Company may be required at the expense of the registered holder of the tangible equity unit before a replacement will be issued.

Notwithstanding the foregoing, the Company will not be obligated to replace any tangible equity unit certificates on or after the business day immediately preceding the mandatory settlement date or any repurchase date or early settlement date. In those circumstances, the purchase contract agreement will provide that, in lieu of the delivery of a replacement tangible equity unit certificate, the purchase contract agent, upon delivery of the evidence and indemnity described above, will deliver the shares of common stock issuable pursuant to the purchase contracts included in the tangible equity units evidenced by the certificate.

No Listing

The tangible equity units will be new securities for which there is no established trading market. The Company does not intend to apply for a listing of the tangible equity units. Although the underwriter has advised the Company that it intends to make a market in the tangible equity units, it is not obligated to do so. The underwriter may discontinue market making at any time in its sole discretion without notice. Accordingly the Company cannot assure you that a liquid trading market will develop for the tangible equity units (or, if developed, that a liquid trading market will be maintained), that you will be able to sell tangible equity units at a particular time or that the prices you receive when

you sell will be favorable.

Miscellaneous

The purchase contract agreement will provide that the Company will pay all fees and expenses related to the enforcement by the purchase contract agent of the rights of the holders of the tangible equity units or the separate purchase contracts.

Should you elect to separate or recreate tangible equity units, you will be responsible for any fees or expenses payable in connection with that separation or recreation and the Company will have no liability therefor.

None of the purchase contract agent, trustee in respect of the amortizing notes or any paying agent appointed in connection with the purchase contracts shall be responsible to make any calculations in respect of the tangible equity units, nor shall any such entity have any liability for any such calculations.

DESCRIPTION OF THE PURCHASE CONTRACTS

Each purchase contract, which initially forms a part of a tangible equity unit and which, at the holder s option after the date of initial issuance of the tangible equity units, can be transferred separately from the amortizing note also forming a part of a tangible equity unit, will be issued pursuant to the terms and provisions of the purchase contract agreement. The following summary of the terms of the purchase contracts contains a description of all of the material terms of the purchase contracts but is not complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the purchase contract agreement, including the definitions in the purchase contract agreement of certain terms. The Company refers you to the purchase contract agreement to be filed and incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part.

As used in this section, the term the Company means Banc of California, Inc. and does not include any of its subsidiaries.

Delivery of Common Stock

Unless previously settled early at your or our option, for each purchase contract the Company will deliver to you on May 15, 2017 (the mandatory settlement date) a number of shares of its common stock calculated as described below. The settlement of the purchase contracts on the mandatory settlement date is not deferrable. The number of shares of Company common stock issuable upon settlement of each purchase contract (the settlement rate) will be determined as follows:

if the applicable market value of Company common stock is equal to or greater than $ (the threshold appreciation price), then you will receive shares of common stock for each purchase contract (the minimum settlement rate);

if the applicable market value of Company common stock is less than the threshold appreciation price of $ but greater than $ (the reference price), then you will receive a number of shares of common stock for each purchase contract equal to the tangible equity unit stated amount of $50, *divided by* the applicable market value; and

if the applicable market value of Company common stock is less than or equal to the reference price of $, then you will receive shares of common stock for each purchase contract (the maximum settlement rate).

The maximum settlement rate, minimum settlement rate, and the applicable market value are each subject to adjustment as described under Adjustments to the Fixed Settlement Rates below. Each of the minimum settlement rate and the maximum settlement rate is referred to as a fixed settlement rate.

For illustrative purposes only, the following table shows the number of shares of common stock issuable upon settlement of a purchase contract on the mandatory settlement date at the assumed applicable market values, based on the reference price of $ and the threshold appreciation price of $. The threshold appreciation price represents an appreciation of % above the reference price of $. The table assumes that there will be no adjustments to the settlement rate described under Adjustments to the Fixed Settlement Rates below and that the holders do not elect to settle early as described under Early Settlement or Early Settlement Upon a Fundamental Change below and that we do not elect to settle early as described under Repurchase of Amortizing Notes at the

Option of the Holder . The Company cannot assure you that the actual applicable market value will be within the assumed range set forth below. The reference price is the public offering price of Company common stock in the concurrent common stock offering.

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A holder of a tangible equity unit or a separate purchase contract, as applicable, will receive on the mandatory settlement date the following numbers of shares of common stock at the following assumed applicable market values:

Assumed Applicable Market Value	Number of Shares of Common Stock
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	
$	

As the above table illustrates, if, on the mandatory settlement date, the applicable market value is greater than or equal to the threshold appreciation price of $, the Company would be obligated to deliver shares of common stock for each purchase contract. As a result, you would receive only approximately % of the value of the shares of Company common stock that you would have received had you purchased $50 worth of shares of Company common stock at the public offering price in the concurrent public offering.

If, on the mandatory settlement date, the applicable market value is less than the threshold appreciation price of $ but greater than the reference price of $, the Company would be obligated to deliver a number of shares of its common stock on the mandatory settlement date equal to $50, *divided by* the applicable market value. As a result, the Company would retain all appreciation in the market value of its common stock underlying each purchase contract.

If, on the mandatory settlement date, the applicable market value is less than or equal to the reference price of $, the Company would be obligated to deliver upon settlement of the purchase contract shares of common stock for each purchase contract, regardless of the market price of Company common stock. As a result, the holder would realize the entire loss on the decline in market value of the common stock underlying each purchase contract since the initial issuance date of the tangible equity units. Because the applicable market value (as defined below) of the common stock is determined over the 20 trading days ending on the third trading day immediately preceding the mandatory settlement date, the number of shares of common stock delivered for each purchase contract may be greater than or less than the number that would have been delivered based on the closing price of the common stock on the last trading day in such period. In addition, you will bear the risk of fluctuations in the market price of the shares of common stock deliverable upon settlement of the purchase contracts between the end of such period and the date such shares are delivered.

The term applicable market value means the average of the daily VWAPs of Company common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the mandatory settlement date.

The term daily VWAP of Company common stock means, on any date of determination, the per share volume-weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg page BANC <equity> AQR (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such volume-weighted average price is unavailable, the market price of one share of Company common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company).

The term trading day means a day on which:

- there is no market disruption event (as defined below); and
- the NASDAQ Global Select Market is open for trading or, if the Company s common stock is not then listed on the NASDAQ Global Select Market, the principal other United States national or regional securities exchange on which Company common stock is then listed is open for trading or, if Company common stock is not then listed on a United States national or regional securities exchange, the principal other market on which Company common stock is then listed or admitted for trading is open for trading.

If the Company s common stock (or other security for which a daily VWAP must be determined) is not listed or admitted for trading as described in the immediately preceding bullet, trading day means a business day.

A market disruption event is defined as any of the following events that has occurred:

- any suspension of, or limitation imposed on, trading by the NASDAQ Global Select Market during the one-hour period prior to the close of trading for the regular trading session on the NASDAQ Global Select Market (or for purposes of determining daily VWAP any period or periods aggregating one half hour or longer), whether by reason of movements in price exceeding limits permitted by the NASDAQ Global Select Market or otherwise, relating to the Company s common stock or in futures or options contracts relating to the Company s common stock on the relevant exchange or quotation system;
- any event (other than a failure to open or a closure as described below) that disrupts or impairs the ability of market participants during the one-hour period prior to the close of trading for the regular trading session on the NASDAQ Global Select Market (or for purposes of determining daily VWAP any period or periods aggregating one half hour or longer) in general to effect transactions in, or obtain market values for, the Company s common stock on the NASDAQ Global Select Market system or futures or options contracts relating to the Company s common stock on any relevant exchange or quotation system; or
- the failure to open of the exchange or quotation system on which futures or options contracts relating to the Company s common stock are traded or the closure of such exchange or quotation system prior to its respective scheduled closing time for the regular trading session on such day (without regard to after hours or other trading outside the regular trading session hours) unless such earlier closing time is announced by such exchange or quotation system at least one hour prior to the earlier of the actual closing time for the regular trading session on

such day and the submission deadline for orders to be entered into such exchange or quotation system for execution at the actual closing time on such day.

For the purposes of determining a market disruption event, if the Company s common stock is not listed on the NASDAQ Global Select Market, the term NASDAQ Global Select Market in the definition of market disruption event shall be deemed to be replaced by the principal national securities exchange on which the Company s common stock is listed for trading.

On the mandatory settlement date, Company common stock will be issued and delivered to you or your designee, upon (i) surrender of certificates representing the purchase contracts, if such purchase contracts are

held in certificated form, and (ii) payment by you of any transfer or similar taxes payable in connection with the issuance of Company common stock to any person other than you. As long as the purchase contracts are evidenced by one or more global purchase contract certificates deposited with DTC, procedures for settlement will be governed by standing arrangements between DTC and the purchase contract agent.

Prior to the settlement of any purchase contract, the shares of common stock underlying each purchase contract will not be outstanding, and the holder of such purchase contract will not have any voting rights, rights to dividends or other distributions or other rights of a holder of Company common stock by virtue of holding such purchase contract.

Early Settlement

On any trading day prior to the third business day immediately preceding the mandatory settlement date, you, as a holder of tangible equity units or a holder of separate purchase contracts, may elect to settle your purchase contracts early, in whole or in part, and receive shares of common stock, at the early settlement rate, subject to adjustment as described below under Adjustments to the Fixed Settlement Rates. The early settlement rate is equal to the minimum settlement rate in effect immediately prior to the close of business on the early settlement date, unless you elect to settle your purchase contracts early in connection with a fundamental change, in which case you will receive upon settlement of your purchase contracts a number of shares of Company common stock (or applicable property) based on the fundamental change early settlement rate in effect immediately prior to the close of business on the early settlement date as described under Early Settlement Upon a Fundamental Change.

Your right to receive common stock upon early settlement of your purchase contract is subject to (i) delivery of a written and signed notice of election (an early settlement notice) to the purchase contract agent electing early settlement of your purchase contract, (ii) surrendering the certificates representing the purchase contract, if such purchase contract or the tangible equity unit that includes such purchase contract is held in certificated form and (iii) payment by you of any transfer or similar taxes payable in connection with the issuance of Company common stock to any person other than you. As long as the purchase contracts or the tangible equity units are evidenced by one or more global certificates deposited with DTC, procedures for early settlement will be governed by standing arrangements between DTC and the purchase contract agent. Upon surrender of the purchase contract or the related tangible equity unit, you will receive the applicable number of shares of common stock (and cash in lieu of any fractional share) no later than the third business day following the early settlement date. Upon early settlement of the purchase contract component of a tangible equity unit, the corresponding amortizing note will remain outstanding and, beneficially owned by, or registered in the name of, the holder thereof.

If you comply with the requirements for effecting early settlement of your purchase contracts earlier than 5:00 p.m., New York City time, on any business day, then that day will be considered the early settlement date. If you comply with such requirements on or after 5:00 p.m., New York City time, on any business day or at any time on a day that is not a business day, then the next business day will be considered the early settlement date.

Early Settlement Upon a Fundamental Change

If a fundamental change occurs and you elect to settle your purchase contracts early in connection with such fundamental change, you will receive a number of shares of Company common stock (or cash, securities or other property) based on the fundamental change early settlement rate, as described below. An early settlement will be deemed for these purposes to be in connection with such fundamental change if you deliver your early settlement notice to the purchase contract agent, and otherwise satisfy the requirements for effecting early settlement of your purchase contracts, during the period beginning on, and including, the effective date of the fundamental change and ending on, and including, the 30th business day thereafter (or, if earlier, the third business day immediately preceding

the mandatory settlement date) (the fundamental change early settlement date). The Company refers to this right as the fundamental change early settlement right. An early settlement in connection with a fundamental change will be subject to the provisions set forth in the second

paragraph above under Early Settlement, except that the Company will deliver the related settlement amounts owed no later than the third business day following the fundamental change early settlement date.

The Company will provide the purchase contract agent and the holders of tangible equity units and separate purchase contracts with a notice of a fundamental change within five business days after its occurrence, issue a press release announcing such effective date and post such press release on its website. The notice will also set forth, among other things, (i) the applicable fundamental change early settlement rate, (ii) the kind and amount of the cash, securities and other consideration receivable by the holder upon settlement and (iii) the deadline by which each holder s fundamental change early settlement right must be exercised.

A fundamental change will be deemed to occur if any of the following occurs:

(a) a person or group within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate beneficial owner, as defined in Rule 13d-3 under the Exchange Act, of Company common equity representing more than 50% of the voting power of Company common stock; or

(b) consummation of any consolidation or merger of the Company or similar transaction with, or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the property and assets of the Company and its subsidiaries, taken as a whole, to, any person other than one of the Company s subsidiaries, in each case pursuant to which the Company s common stock will be converted into cash, securities or other property;

provided, *however*, that (i) any transaction or event described in clause (a) or (b) above where the holders of the Company s voting stock immediately prior to such event own, directly or indirectly, more than 50% of the voting stock of the continuing or surviving person or transferee or the parent thereof immediately after such event and such holders proportional voting power immediately after such transaction vis-à-vis each other with respect to the securities they receive in such transaction will be in substantially the same proportions as their respective voting power vis-à-vis each other immediately prior to such transaction will not constitute a fundamental change under such clause (a) or (b) as the case may be; (ii) a fundamental change will not be deemed to have occurred as a result of a transaction or event described in clause (b) above if at least 90% of the consideration received or to be received by holders of Company common stock, excluding cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights, in the transaction or transactions consists of shares of common stock or depositary receipts in respect of common stock that are traded on a U.S. national securities exchange or that will be so traded when issued or exchanged in connection with such transaction or transactions and (iii) a transaction or event that constitutes a fundamental change under both clauses (a) and (b) above will be deemed to constitute a fundamental change solely under clause (b) of this definition of fundamental change .

None of the purchase contract agent, the trustee in respect of the amortizing notes or any paying agent appointed in connection with the purchase contracts shall have any duty or obligation to determine if a fundamental change has occurred in connection with the purchase contracts.

The fundamental change early settlement rate will be determined by reference to the table below, based on the date on which the fundamental change occurs or becomes effective (the effective date) and the stock price in the fundamental change, which will be:

in the case of a fundamental change described in clause (b) above in which holders of shares of Company common stock receive only cash in the fundamental change, the cash amount paid per share of Company common stock; and

in all other cases, the average of the daily VWAPs of Company common stock on each of the 10 consecutive trading days ending on and including the trading day immediately preceding the effective date.

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The stock prices set forth in the first column of the table below will be adjusted as of any date on which any fixed settlement rate is otherwise adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment, *multiplied by* a fraction, the numerator of which is the minimum settlement rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the minimum settlement rate as so adjusted. The number of shares in the table below will be adjusted in the same manner as the fixed settlement rates are adjusted as set forth under Adjustments to the Fixed Settlement Rates.

The following table sets forth the fundamental change early settlement rate per purchase contract for each stock price and effective date set forth below:

	Effective Date			
Stock Price	**May , 2014**	**May 15, 2015**	**May 15, 2016**	**May 15, 2017**
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				
$				

The exact stock prices and effective dates may not be set forth in the table above, in which case:

if the stock price is between two stock prices in the table or the effective date is between two effective dates in the table, the fundamental change early settlement rate will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower stock prices and the earlier and later effective dates, as applicable, based on a 365-day year;

if the stock price is greater than $ per share, subject to adjustment in the same manner as the stock prices set forth in the table above, the fundamental change early settlement rate will be the minimum settlement rate; or

if the stock price is less than $ per share (subject to adjustment in the same manner as the stock prices set forth in the table above, the minimum stock price), the fundamental change early settlement rate will be determined as if the stock price equaled the minimum stock price, using straight line interpolation, as described in the first bullet of this paragraph, if the effective date is between two effective dates in the table.

The maximum number of shares of Company common stock deliverable following a fundamental change under a purchase contract is , subject to adjustment in the same manner as the fixed settlement rates as set forth under Adjustments to the Fixed Settlement Rates.

The Company s obligation to settle the purchase contracts at the fundamental change early settlement rate could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

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If you exercise the fundamental change early settlement right following the effective date of a fundamental change described in clause (b) of the definition thereof, the Company will deliver to you, for each purchase contract being settled early, the kind and amount of securities, cash or other property that you would have been entitled to receive in such fundamental change transaction as a holder of a number of shares of Company common stock equal to the fundamental change settlement rate. If such fundamental change causes Company common stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) and you exercise the fundamental change early settlement right, the Company will deliver to you the types and amounts of consideration as are proportional to the types and amounts of consideration received by the holders of Company common stock that affirmatively make such an election. The Company will deliver the shares of Company common stock, securities, cash or other property payable as a result of your exercise of the fundamental change early settlement right on the third business day following the fundamental change early settlement date.

If you do not elect to exercise your fundamental change early settlement right, your purchase contracts will remain outstanding and will be subject to normal settlement on any subsequent early settlement date, repurchase date or the mandatory settlement date, including, if applicable, in accordance with the provisions set forth under Adjustments to the Fixed Settlement Rates regarding the occurrence of a business combination.

Early Settlement at Our Election

The Company has the right to settle the purchase contracts early, in whole but not in part, on a date fixed by the Company as described below at the early mandatory settlement rate described below. The Company refers to this right as our early mandatory settlement right. The early mandatory settlement rate will be the maximum settlement rate, unless the closing price (as defined below) of the Company common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day immediately preceding the notice date (as defined below) exceeds 130% of the threshold appreciation price in effect on each such trading day, in which case the early mandatory settlement rate will be the minimum settlement rate.

If the Company elects to exercise its early mandatory settlement right, the Company will provide the purchase contract agent and the holders of tangible equity units, separate purchase contracts and separate amortizing notes with a notice of the Company s election (the early mandatory settlement notice), issue a press release announcing our election and post such press release on the Company s website. The early mandatory settlement notice will specify, among other things:

- the early mandatory settlement rate;

- the early mandatory settlement date, which will be at least 5 but not more than 30 business days following the date of the Company s notice (the notice date);

- whether holders of tangible equity units and separate amortizing notes will have the right to require the Company to repurchase their amortizing notes that are a component of the tangible equity units or their separate amortizing notes, as the case may be, as described below under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder ;

- the repurchase price and repurchase date (each as defined below under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder);
- the last date on which holders may exercise their repurchase right; and
- the procedures that holders must follow to require us to repurchase their amortizing notes.

The Company will deliver the shares of Company common stock and any cash payable for fractional shares to the holders on the early mandatory settlement date.

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The term closing price of the Company common stock means, on any date of determination:

the closing sale price (or, if no closing sale price is reported, the last reported sale price) of the Company common stock on the NASDAQ Global Select Market on such date or, if the Company common stock is not listed for trading on the NASDAQ Global Select Market on any such date, as reported in the composite transactions for the principal United States national or regional securities exchange on which the Company common stock is so listed; or

if the Company common stock is not so reported, the last quoted bid price for the Company common stock in the over-the-counter market as reported by the Pink OTC Markets Inc. or a similar organization, or, if such bid price is not available, the average of the mid-point of the last bid and ask prices of the Company common stock on such date from at least three nationally recognized independent investment banking firms retained by us for this purpose.

In the event the Company elects to settle the purchase contracts early, holders thereof will have the right to require the Company to repurchase their amortizing notes, as described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder.

Adjustments to the Fixed Settlement Rates

Each fixed settlement rate will be adjusted, without duplication, if any of the following events occur:

(1) the issuance of Company common stock as a dividend or distribution to all holders of Company common stock, or a subdivision or combination of Company common stock, in which event each fixed settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_1 \div OS_0)$$

where,

SR_0 = the fixed settlement rate in effect immediately prior to the open of business on the ex-date (as defined below) for such dividend or distribution or immediately prior to the open of business on the effective date for such subdivision or combination, as the case may be;

SR_1 = the fixed settlement rate in effect immediately after the open of business on such ex-date or immediately after the open of business on such effective date, as the case may be;

OS_0 = the number of shares of Company common stock outstanding immediately prior to such ex-date or immediately prior to such effective date, as the case may be, in either case prior to giving effect to such event; and

OS_1 = the number of shares of Company common stock that would be outstanding immediately after giving effect to such dividend, distribution, subdivision or combination.

Any adjustment made under this clause (1) shall become effective immediately after the open of business on the ex-date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination, as the case may be. If any dividend or distribution of the type described in this clause (1) is

declared but not so paid or made, each fixed settlement rate shall be immediately readjusted, effective as of the date the Company s board of directors determines not to pay such dividend or distribution, to the fixed settlement rate that would then be in effect if such dividend or distribution had not been declared.

(2) the issuance to all holders of Company common stock of rights, options or warrants entitling them for a period expiring 60 days or less from the date of issuance of such rights, options or warrants to subscribe for or purchase shares of Company common stock at less than the average of the daily VWAPs for the 10 consecutive

trading day period ending on and including the trading day immediately preceding the date of the announcement of such issuance, in which event each fixed settlement rate will be adjusted based on the following formula:

$SR_1 = SR_0 \times (OS_0 + X) \div (OS_0 + Y)$

where,

SR_0 = the fixed settlement rate in effect immediately prior to the open of business on the ex-date for such issuance;

SR_1 = the fixed settlement rate in effect immediately after the open of business on such ex-date;

OS_0 = the number of shares of Company common stock outstanding immediately prior to the open of business on such ex-date;

X = the total number of shares of Company common stock issuable pursuant to such rights, options or warrants; and

Y = the aggregate price payable to exercise such rights, options or warrants, *divided by* the average of the daily VWAPs for the 10 consecutive trading day period ending on and including the trading day immediately preceding the announcement date for such issuance.

Any increase made under this clause (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the ex-date for such issuance. To the extent that shares of common stock are not delivered after the expiration of such rights, options or warrants, each fixed settlement rate shall be decreased, effective as of the date of such expiration, to the fixed settlement rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of common stock actually delivered. If such rights, options or warrants are not so issued, each fixed settlement rate shall be decreased, effective as of the date the Company board of directors determines not to make such issuance, to the fixed settlement rate that would then be in effect if such record date for such issuance had not occurred.

In determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the common stock at less than the average of the daily VWAPs for the 10 consecutive trading day period ending on and including the trading day immediately preceding the announcement date for such issuance, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Company s board of directors.

(3) the dividend or other distribution to all holders of Company common stock of shares of Company capital stock (other than common stock), evidences of Company indebtedness, Company assets or rights to acquire Company capital stock, Company indebtedness or Company assets (excluding any dividend, distribution or issuance as to which an adjustment was made pursuant to clauses (1) or (2) above, (4) below or the provisions of this clause (3) relating to spin-offs), in which event each fixed settlement rate will be adjusted based on the following formula:

$SR_1 = SR_0 \times SP_0 \div (SP_0 \quad FMV)$

where,

SR_0 = the fixed settlement rate in effect immediately prior to the open of business on the ex-date for such dividend or distribution;

SR_1 = the fixed settlement rate in effect immediately after the open of business on such ex-date;

SP_0 = the average of the daily VWAPs for the 10 consecutive trading day period ending on and including the trading day immediately preceding such ex-date; and

FMV = the fair market value (as determined by the Company s board of directors), on the ex-date, for such dividend or distribution of the shares of capital stock, evidences of indebtedness, assets or rights so distributed, expressed as an amount per share of Company common stock.

Any increase made under the portion of this clause (3) above will become effective immediately after the open of business on the ex-date for such dividend or distribution. If such distribution is not so paid or made, each fixed settlement rate shall be decreased, effective as of the date the Company s board of directors determines not to pay the dividend or distribution, to the fixed settlement rate that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if the transaction that gives rise to an adjustment pursuant to this clause (3) is one pursuant to which the payment of a dividend or other distribution on Company common stock consists of shares of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, (i.e., a spin-off) that are, or, when issued, will be, traded on a U.S. national or regional securities exchange, then each fixed settlement rate will instead be adjusted based on the following formula:

$SR_1 = SR_0 \times (FMV_0 + MP_0) \div MP_0$

where,

SR_0 = the fixed settlement rate in effect immediately prior to the close of business on the 10th consecutive trading day commencing on, and including, the third trading day after the date on which ex-distribution trading commences for such dividend or distribution on the relevant exchange;

SR_1 = the fixed settlement rate in effect immediately after the close of business on the 10th consecutive trading day commencing on, and including, the third trading day after the date on which ex-distribution trading commences for such dividend or distribution on the relevant exchange;

FMV_0 = the average of the volume-weighted average prices of the capital stock or similar equity interests distributed to holders of Company common stock applicable to one share of Company common stock over each of the 10 consecutive trading days commencing on, and including, the third trading day after the date on which ex-distribution trading commences for such dividend or distribution on the NASDAQ Global Select Market or such other U.S. national or regional securities exchange on which such capital stock or similar equity interests are then listed; and

MP_0 = the average of the daily VWAPs of Company common stock over each of the 10 consecutive trading days commencing on, and including, the third trading day after the date on which ex-distribution trading commences for such dividend or distribution.

The adjustment to each fixed settlement rate under this portion of clause (3) will become effective immediately after the close of business on the 10th consecutive trading day commencing on, and including, the third trading day after the date on which ex-distribution trading commences for such dividend or distribution on the relevant exchange; *provided* that in respect of any settlement within 10 trading days immediately following the third trading day after the date on which ex-distribution trading commences for such dividend or distribution on the relevant exchange, the reference set forth in the calculation above to 10 consecutive trading days shall be deemed replaced with such lesser number of trading days as have elapsed between such third trading day and the settlement date in determining the

applicable fixed settlement rates.

(4) The Company makes a distribution consisting exclusively of cash to all holders of Company common stock, excluding (a) any cash that is distributed as part of a distribution referred to in clause (3) above,

(b) any consideration payable in connection with a tender or exchange offer made by the Company or any of its subsidiaries referred to in clause (5) below and (c) any quarterly dividend that does not exceed \$0.12 per share (the dividend threshold amount), in which event, each fixed settlement rate will be adjusted based on the following formula:

$SR_1 = SR_0 \times SP_0 \div (SP_0 \quad C)$

where,

SR_0 = the fixed settlement rate in effect immediately prior to the open of business on the ex-date for such distribution;

SR_1 = the fixed settlement rate in effect immediately after the open of business on such ex-date;

SP_0 = the average of the daily VWAPs for the 10 consecutive trading day period ending on and including the trading day immediately preceding such ex-date; and

C = the amount in cash per share the Company distributes to holders in excess of the dividend threshold amount; *provided* that if the distribution is not a regular semi-annual cash dividend, then the dividend threshold amount will be deemed to be zero.

The dividend threshold amount is subject to adjustment on an inversely proportional basis whenever the fixed settlement rate is adjusted (by multiplying the dividend threshold amount by a fraction, the numerator of which will be the minimum settlement rate in effect immediately prior to the adjustment and the denominator of which will be the minimum settlement rate as adjusted), but no adjustment will be made to the dividend threshold amount for any adjustment made to the fixed settlement rate pursuant to this clause (4). Any increase to each fixed settlement rate made pursuant to this clause (4) shall become effective immediately after the open of business on the ex-date for such distribution. If any dividend or distribution described in this clause (4) is declared but not so paid or made, each fixed settlement rate shall be decreased, effective as of the date the Company s board of directors not to pay or make such distribution, to the fixed settlement rate that would then be in effect if such distribution had not been declared.

(5) The Company or one or more of its subsidiaries makes purchases of Company common stock pursuant to a tender offer or exchange offer by the Company or one of its subsidiaries for Company common stock to the extent that the cash and value of any other consideration included in the payment per share of Company common stock validly tendered or exchanged exceeds the daily VWAP per share of Company common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the expiration date), in which event each fixed settlement rate will be adjusted based on the following formula:

$SR_1 = SR_0 \times (FMV + (SP_1 \times OS_1)) \div (SP_1 \times OS_0)$

where,

SR_0 = the fixed settlement rate in effect immediately prior to the close of business on the 10th trading day immediately following, and including, the trading day next succeeding the expiration date;

SR_1 = the fixed settlement rate in effect immediately after the close of business on the 10th trading day immediately following, and including, the trading day next succeeding the expiration date;

FMV = the fair market value (as determined by the Company s board of directors), on the expiration date, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date;

OS_1 = the number of shares of Company common stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the expiration time) (after giving effect to the purchase or exchange of shares pursuant to such tender offer or exchange offer);

OS_0 = the number of shares of Company common stock outstanding immediately prior to the expiration time; and

SP_1 = the average of the daily VWAPs of Company common stock over the 10 consecutive trading day period commencing on, and including, the trading day immediately after the expiration date.

The adjustments to the fixed settlement rates under this clause (5) will become effective immediately after the close of business on the 10th trading day immediately following, and including, the trading day next succeeding the expiration date; *provided* that in respect of any settlement within 10 trading days immediately following, and including, the expiration date, references with respect to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the expiration date and the settlement date in determining the applicable fixed settlement rates. If the Company or one of its subsidiaries is obligated to purchase Company common stock pursuant to any such tender or exchange offer but the Company or the relevant subsidiary is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the fixed settlement rates shall be immediately adjusted to the fixed settlement rates that would then be in effect if such tender or exchange offer had not been made.

ex-date means the first date on which shares of Company common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of Company common stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

record date means, for purpose of this section, with respect to any dividend, distribution or other transaction or event in which the holders of Company common stock have the right to receive any cash, securities or other property or in which Company common stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of Company common stock entitled to receive such cash, securities or other property (whether such date is fixed by the Company s board of directors or by statute, contract or otherwise).

Except as stated above or as otherwise agreed, the fixed settlement rates will not be adjusted for the issuance of Company common stock or any securities convertible into or exchangeable for Company common stock or carrying the right to purchase any of the foregoing or for the repurchase of Company common stock.

To the extent that the Company has a rights plan in effect upon settlement of a purchase contract, you will receive, in addition to Company common stock, the rights under the rights plan, unless, prior to the settlement of a purchase contract, the rights have separated from the common stock, in which case each fixed settlement rate will be adjusted at the time of separation as if the Company made a distribution to all holders of Company common stock as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of any consolidation, merger, sale or transfer of assets, share exchange or other reorganization event, in each case, pursuant to which Company common stock is converted into the right to receive other securities, cash or property (each, a business combination), then, at and after the effective time of the business combination, (i) each purchase contract then outstanding will become a contract to purchase the kind and amount of securities, cash or property receivable upon any such transaction by the holder of one share of common stock, multiplied by the applicable settlement rate (the reference property) and (ii) the applicable market value of Company common stock will

be calculated based on the value of a unit of reference property that a holder of one share of Company common stock would have received in such transaction. In the event holders of

Company common stock have the opportunity to elect the form of consideration to be received in such transaction, the reference property will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Company common stock that affirmatively make an election. The Company will agree in the purchase contract agreement not to become a party to any such transaction unless its terms are consistent with the foregoing.

In connection with any adjustment to the fixed settlement rates described above, the Company will also adjust the dividend threshold amount based on the number of shares of common stock comprising the reference property and (if applicable) the value of any non-stock consideration comprising the reference property. If the reference property is comprised solely of non-stock consideration, the dividend threshold amount will be zero.

In the event of a taxable distribution of cash or property to stockholders of the Company that results in an adjustment of each fixed settlement rate or an increase in each fixed settlement rate in the Company s discretion, holders of tangible equity units and separate purchase contracts may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. In addition, Non-U.S. Holders (as defined below under Certain U.S. Federal Income Tax Considerations for Non-U.S. Holders) of tangible equity units and separate purchase contracts may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements.

In addition, the Company may make such increases in each fixed settlement rate as the Company deems advisable. The Company may only make such a discretionary adjustment if the Company makes the same proportionate adjustment to each fixed settlement rate. No adjustment in either fixed settlement rate will be required unless such adjustment would require an increase or decrease of at least one percent; *provided*, *however*, that any such minor adjustments that are not required to be made will be carried forward and taken into account in any subsequent adjustment, and *provided further* that any such adjustment of less than one percent that has not been made shall be made (x) upon the end of the issuer s fiscal year commencing with the 2014 fiscal year and (y) upon the purchase contract settlement date or any early settlement date or repurchase date.

Adjustments to each fixed settlement rate will be calculated to the nearest 1/10,000th of a share.

Whenever the fixed settlement rates are adjusted, the Company must deliver to the purchase contract agent a certificate setting forth each fixed settlement rate, detailing the calculation of each fixed settlement rate and describing the facts upon which the adjustment is based. In addition, the Company must notify the holders of tangible equity units and separate purchase contracts of the adjustment within ten business days of any event requiring such adjustment and describe in reasonable detail the method by which each fixed settlement rate was adjusted; such notification may be made by a press release.

There will be no adjustment to the fixed settlement rates in case of the issuance of any shares of Company common stock in a merger, reorganization, acquisition, reclassification, recapitalization or other similar transaction except as provided in this section.

Each adjustment to each fixed settlement rate will result in a corresponding adjustment to the early settlement rate. Each adjustment to each fixed settlement rate will also result in an adjustment to the applicable market value solely to determine which of the three clauses in the definition of settlement rate will be applicable on the mandatory settlement date. In addition, if any adjustment to the settlement rate becomes effective, or any ex-date or record date for any issuance, dividend or distribution (relating to a required fixed settlement rate adjustment) occurs, during the period beginning on, and including, (i) the open of business on a first trading day of the 20 trading day period during which the applicable market value is calculated or (ii) in the case of an early settlement, early mandatory settlement or an early settlement upon a fundamental change, the relevant early settlement date, repurchase date or fundamental change

early settlement date and, in each case, ending on, and including, the date on which the Company delivers shares of its common stock under the related purchase contract, the Company will make appropriate adjustments to the fixed settlement rates, the applicable market value and/or the number of shares

of its common stock deliverable upon settlement of the purchase contract, in each case, consistent with, and in order to give effect to the intent of, the anti-dilution adjustments set forth above.

The Company s board of directors will have the power to resolve any ambiguity or, subject to applicable law, correct any error in this section, and its action in so doing will be final and conclusive.

Fractional Shares

No fractional shares of Company common stock will be issued to holders upon settlement of the purchase contracts. In lieu of fractional shares otherwise issuable, holders will be entitled to receive an amount in cash equal to the fraction of a share of Company common stock, calculated on an aggregate basis in respect of the purchase contracts being settled, *multiplied by* the closing price of Company common stock on the trading day immediately preceding the mandatory settlement date, repurchase date, early settlement date or fundamental change early settlement date, as the case may be.

Consequences of Bankruptcy

The mandatory settlement date for each purchase contract, whether held separately or as part of a tangible equity unit, will automatically accelerate upon the occurrence of specified events of bankruptcy, insolvency or reorganization with respect to the Company. Upon acceleration, holders will be entitled to receive a number of shares of Company common stock per purchase contract equal to the maximum settlement rate in effect immediately prior to such acceleration (regardless of the market value of Company common stock at that time). If the Company files for bankruptcy court protection prior to the settlement of the purchase contracts, however, the Company may be unable to deliver Company common stock in settlement of the accelerated purchase contracts after such filing. Instead, a holder would have a damage claim against the Company for the value of the common stock that the Company would have otherwise been required to deliver upon settlement of the purchase contracts. The Company expects that this claim for damages will be subordinated to rank equally with the claims by holders of Company common stock in the bankruptcy proceeding, in which case you will only be able to recover damages to the extent holders of Company common stock receive any recovery.

Modification

The purchase contract agreement will contain provisions permitting the Company and the purchase contract agent to modify the purchase contract agreement without the consent of the holders of purchase contracts (whether held separately or as a component of tangible equity units) for any of the following purposes:

- to evidence the succession of another person to the Company s obligations;

- to add to the covenants for the benefit of holders of purchase contracts or to surrender any of the Company s rights or powers under the agreement;

- to evidence and provide for the acceptance of appointment of a successor purchase contract agent;

to make provision with respect to the rights of holders of purchase contracts pursuant to adjustments in the settlement rate due to consolidations, mergers or other reorganization events;

to conform the provisions of the purchase contract agreement to the Description of the Purchase Contracts section in this prospectus supplement;

to evidence waiver by the Company of or to remove from the purchase contract agreement the Company s rights to settle the purchase contracts early as described under the heading Early Settlement at Our Election ;

- to cure any ambiguity or omission or to correct or supplement any provisions that may be defective or inconsistent with other provisions of the purchase contract agreement, provided such change does not adversely affect the interests or rights of any holder of purchase contracts in any material respect; or

- to make any other change that does not adversely affect the interests or rights of any holder of purchase contracts in any material respect.

The purchase contract agreement will contain provisions permitting the Company and the purchase contract agent, with the consent of the holders of not less than a majority of the purchase contracts at the time outstanding, to modify the terms of the purchase contracts or the purchase contract agreement. However, no such modification may, without the consent of the holder of each outstanding purchase contract affected by the modification,

- reduce the number of shares of common stock deliverable upon settlement of the purchase contract,

- change the mandatory settlement date, the right to settle purchase contracts early or the fundamental change early settlement right, or otherwise adversely affect the holder s rights to receive delivery of the number of shares of Company common stock, cash in lieu of any fractional share and/or other property as described herein due upon settlement of any purchase contract on the due dates therefor,

- reduce the above-stated percentage of outstanding purchase contracts the consent of the holders of which is required for the modification or amendment of the provisions of the purchase contracts or the purchase contract agreement, or

- impair the right to institute suit for the enforcement of the purchase contracts.

Consolidation, Merger, Sale or Conveyance

The Company will covenant in the purchase contract agreement that it will not merge with and into, consolidate with or into any other entity or sell, assign, transfer, lease or convey all or substantially all of its properties and assets to any person or entity, unless:

- the Company is the surviving entity or the successor entity, if other than the Company, is a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and that successor entity expressly assumes the Company s obligations under the tangible equity units, the purchase contracts and the purchase contract agreement; and

- immediately after the merger, consolidation, conversion, sale, assignment, transfer, lease or conveyance, no default under the tangible equity units, the purchase contracts or the purchase contract agreement shall have occurred or be continuing.

On the assumption by the successor of the obligations under the purchase contract agreement, the successor will be substituted for the Company, and (except in the case of a lease) the Company will be relieved of any further obligation

under the purchase contract agreement and the purchase contracts.

Miscellaneous

The Company will at all times that the purchase contracts remain outstanding reserve and keep available out of the Company s authorized and unissued common stock, solely for issuance upon settlement of the purchase contracts, that number of shares of common stock as shall from time to time be issuable upon the settlement of all purchase contracts then outstanding, assuming settlement at the maximum settlement rate.

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Governing Law

The purchase contract agreement, the purchase contracts and any claim, controversy or dispute arising under or related to the purchase contract agreement or the purchase contracts will be governed by, and construed in accordance with, the laws of the State of New York.

Information Concerning the Purchase Contract Agent

U.S. Bank National Association will be the purchase contract agent. The purchase contract agent will act as the agent for the holders of tangible equity units and separate purchase contracts from time to time. The purchase contract agreement will not obligate the purchase contract agent to exercise any discretionary actions in connection with a default under the terms of the purchase contracts or the purchase contract agreement.

The purchase contract agreement will contain provisions limiting the liability of the purchase contract agent. The purchase contract agreement will contain provisions under which the purchase contract agent may resign or be replaced. This resignation or replacement would be effective upon the acceptance of appointment by a successor.

U.S. Bank National Association acts as trustee under certain of our indentures and performs other services for us in the ordinary course of business.

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DESCRIPTION OF THE AMORTIZING NOTES

The amortizing notes will be issued under an indenture (the base indenture), and a related supplemental indenture for such amortizing notes (the supplemental indenture), each to be dated the date of issuance of such amortizing notes and each between the Company and U.S. Bank National Association, collectively referred to in this section as the indenture. The following summary of the terms of the amortizing notes contains a description of all of the material terms of the amortizing notes but is not complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture, including the definitions in the indenture of certain terms. The Company refers you to the form of base indenture, which has been filed and is incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part, and the supplemental indenture, which will be filed, as an exhibit to a filing we will make with the SEC in connection with the offering. Copies of the base indenture and the supplemental indenture will be available for inspection at the office of the trustee.

As used in this section, the term the Company means Banc of California, Inc. and does not include any of its subsidiaries. The indenture does not limit the aggregate principal amount of indebtedness that may be issued thereunder and provides that junior subordinated debt securities may be issued thereunder from time to time in one or more series.

General

The amortizing notes will be issued as a separate series of junior subordinated debt securities under the indenture. The amortizing notes will be issued in an aggregate principal amount of $ (or $ aggregate principal amount if the underwriter exercises its option to purchase additional securities in full). The scheduled final installment payment date (as defined below) will be May 15, 2017, subject to extension as described below. We may not redeem the amortizing notes.

As described under Book-entry Procedures and Settlement, in certain circumstances amortizing notes may be issued in certificated form in exchange for a global security. In the event that amortizing notes are issued in certificated form, such amortizing notes may be transferred or exchanged at the offices described below. Payments on amortizing notes issued as a global security will be made to DTC, to a successor depositary or, in the event that no depositary is used, to a paying agent for the amortizing notes. In the event amortizing notes are issued in certificated form, installments will be payable, the transfer of the amortizing notes will be registrable and amortizing notes will be exchangeable for amortizing notes of other denominations of a like aggregate principal amount at the corporate trust office of the trustee in New York, New York. Installment payments on certificated amortizing notes may be made at the option of the Company by check mailed to the address of the persons entitled thereto. See Book-entry Procedures and Settlement.

There are no covenants or provisions in the indenture that would afford the holders of the amortizing notes protection in the event of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction involving the Company that may adversely affect such holders.

Ranking

The amortizing notes will be junior subordinated obligations of the Company and will rank junior both in liquidation and right of payment to the Company s Senior Debt (as defined below under Subordination). The amortizing notes will rank equally with all of the Company s unsecured indebtedness to which the amortizing notes are not so subordinated (and which indebtedness is not, by its terms, subordinated to the amortizing notes), whether currently existing or hereinafter created. We may issue additional series of junior subordinated debt securities that rank *pari passu* with the amortizing notes. The amortizing notes will be effectively subordinated to all secured indebtedness of

the Company to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all existing and future liabilities of the Company s subsidiaries.

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Installment Payments

Each amortizing note will have an initial principal amount of $. On each February 15, May 15, August 15 and November 15, commencing on August 15, 2014 (each, an installment payment date), the Company will pay, in cash, equal quarterly installments of $ on each amortizing note. Each installment will constitute a payment of interest (at a rate of % per annum) and a partial repayment of principal on the amortizing note, allocated as set forth on the amortization schedule set forth under Amortization Schedule. The quarterly installment payable on May 15, 2014 however, will be $. The Company will have the right to defer installment payments at any time and from time to time under the circumstances, and subject to the conditions, described under Option to Extend Installment Payment Period so long as such deferral period does not extend beyond May 15, 2019. Installments will be paid to the person in whose name an amortizing note is registered at the close of business on the business day immediately preceding the related installment payment date. In the event the amortizing notes do not continue to remain in book-entry only form, the Company will have the right to select regular record dates, which will be more than 14 days but less than 60 days prior to the relevant installment payment date.

Each installment payment for any period will be computed on the basis of a 360-day year of twelve 30-day months. The installment payable for any period shorter than a full installment payment period will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which an installment is payable is not a business day, then payment of the installment on such date will be made on the next succeeding day that is a business day, and without any interest or other payment in respect of any such delay. However, if such business day is in the next succeeding calendar year, then such installment payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date.

Amortization Schedule

The total installments of principal on the amortizing notes for each scheduled installment payment date are set forth below:

Scheduled Installment Payment Date	Amount of Principal	Amount of Interest
August 15, 2014	$	$
November 15, 2014	$	$
February 15, 2015	$	$
May 15, 2015	$	$
August 15, 2015	$	$
November 15, 2015	$	$
February 15, 2016	$	$
May 15, 2016	$	$
August 15, 2016	$	$
November 15, 2016	$	$
February 15, 2017	$	$

May 15, 2017	$	$

For the avoidance of doubt and notwithstanding anything to the contrary in this prospectus supplement, the first installment payment for the amortizing notes, payable on August 15, 2014, shall be equal to $ per amortizing note.

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Option to Extend Installment Payment Period

The Company may defer installment payments, at any time and from time to time, by extending the installment payment period, so long as such period of time does not extend beyond May 15, 2019 (the extension period). The Company may end an extension period on any installment payment date occurring on or before May 15, 2017 or, in the case of an extension period that extends beyond May 15, 2017, on any business day thereafter that is on or before May 15, 2019.

At the end of any extension period, the Company will pay all installment payments for which the related installment payment date occurred during such extension period, together with interest on the full amount of such

installment payments compounded quarterly at the rate specified for the interest component of the amortizing notes to the extent permitted by applicable law. The Company will give the holders of tangible equity units and separate amortizing notes at least 10 business days notice prior to the end of an extension period.

Prior to the termination of any extension period, the Company may further defer installment payments by extending such extension period. Such extension period, including all such previous and further extensions, may not extend beyond May 15, 2019. Upon the termination of any extension period and the payment of all amounts then due, the Company may commence a new extension period, if consistent with the terms set forth in this section. No installment payment (or interest thereon) shall be due and payable during an extension period.

The Company has no present intention of exercising its right to defer installment payments by extending the installment payment period on the amortizing notes.

The Company will give the holders of tangible equity units and amortizing notes notice of its election of an extension period (or any extension thereof) at least 10 business days prior to the earlier of:

- the next succeeding installment payment date; or
- the date upon which the Company is required to give notice to holders of the amortizing notes of the record date or payment date of such installment payment.

Restrictions Applicable During an Extension Period and Certain Other Circumstances

If:

- there shall have occurred and be continuing an event of default; or
- the Company shall have given notice of its election to defer installment payments on amortizing notes by extending the installment payment period and such period, or any extension of such period, shall be continuing,

then:

The Company and its subsidiaries shall not declare or pay any dividend on, make any distributions relating to, or redeem, purchase, acquire or make a liquidation payment relating to, any of the Company s capital stock or make any guarantee payment with respect thereto other than:

- purchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;

- purchases of shares of common stock of the Company pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the extension period, including under a contractually binding stock repurchase plan;

as a result of an exchange or conversion of any class or series of the Company s capital stock for any other class or series of the Company s capital stock;

the purchase of fractional interests in shares of the Company s capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or

purchases of the Company s capital stock in connection with the distribution thereof; and

The Company and its subsidiaries shall not make any payment of interest, principal or premium on, or repay, purchase or redeem, any unsecured debt securities or guarantees issued by the Company that rank equally with or junior to the amortizing notes other than pro rata payments of accrued and unpaid interest on the amortizing notes and any other unsecured debt securities or guarantees issued by the Company that rank equally with the amortizing notes, except and to the extent the terms of any such debt securities would prohibit the Company from making such pro rata payment.

These restrictions, however, will not apply to any stock dividends paid by the Company where the dividend stock is the same stock as, or junior to, that stock on which the dividend is being paid.

Repurchase of Amortizing Notes at the Option of the Holder

If we elect to exercise our early mandatory settlement right (as described under Description of the Purchase Contracts Early Settlement at Our Election above), then holders will have the right (the repurchase right) to require us to repurchase some or all of their amortizing notes for cash at the repurchase price per amortizing note described below. Holders may not require us to repurchase a portion of an individual amortizing note. In addition, holders will not have the right to require us to repurchase any or all of such holder s amortizing notes in connection with any early settlement of such holder s purchase contracts at the holder s election at the early settlement rate as described above under Description of the Purchase Contracts Early Settlement or at the fundamental change early settlement rate as described above under Description of the Purchase Contracts Early Settlement Upon a Fundamental Change.

The repurchase date will be a date specified by us in the early mandatory settlement notice sent to holders, which will be at least 5 but not more than 30 business days following the date of our early mandatory settlement notice as described under Description of the Purchase Contracts Early Settlement at Our Election (and which will be required to fall on the early mandatory settlement date).

The repurchase price per amortizing note to be redeemed will be equal to the principal amount of such amortizing note as of the repurchase date, plus accrued and unpaid interest (to, but excluding, the repurchase date) on such principal amount at the rate specified for the interest component of the amortizing notes. However, if the repurchase date falls after a regular record date and on or prior to the immediately succeeding installment payment date, the installment payment payable on such installment payment date will be paid on such installment payment date to the holder as of such regular record date and will not be included in the repurchase price per amortizing note.

To exercise your repurchase right, you must deliver, on or before the close of business on the business day immediately preceding the repurchase date, the amortizing notes to be repurchased (or the tangible equity units, if you have not separated your tangible equity units into their constituent components), together with a duly completed written repurchase notice in the form entitled Form of Repurchase Notice on the reverse side of the amortizing notes (a repurchase notice), in each case in accordance with appropriate DTC procedures, unless you hold certificated

amortizing notes (or tangible equity units), in which case you must deliver the amortizing notes to be repurchased (or tangible equity units), duly endorsed for transfer, together with a repurchase notice, to the trustee. Your repurchase notice must state:

- if certificated amortizing notes (or tangible equity units) have been issued, the certificate numbers of the amortizing notes (or tangible equity units), or if not certificated, your repurchase notice must comply with appropriate DTC procedures;

- the amount of amortizing notes to be repurchased; and
- that the amortizing notes are to be repurchased by us pursuant to the applicable provisions of the amortizing notes and the indenture.

You may withdraw any repurchase notice (in whole or in part) by a written, irrevocable notice of withdrawal delivered to the trustee prior to the close of business on the business day immediately preceding the repurchase date. The notice of withdrawal must state:

- the amount of the withdrawn amortizing notes;
- if certificated amortizing notes (or tangible equity units) have been issued, the certificate numbers of the withdrawn amortizing notes (or tangible equity units), or if not certificated, your notice must comply with appropriate DTC procedures; and
- the amount of amortizing notes, if any, that remain subject to the repurchase notice.

We will be required to repurchase, on the repurchase date, the amortizing notes subject to any repurchase notice that has not been withdrawn. Holders who have exercised their repurchase right will receive payment of the repurchase price on the later of (1) the repurchase date and (2) the time of book-entry transfer or the delivery of the amortizing notes (or tangible equity units). If the trustee holds money sufficient to pay the repurchase price of the amortizing notes on the repurchase date, then:

- the amortizing notes will cease to be outstanding and interest will cease to accrue (whether or not book-entry transfer of the amortizing notes is made or whether or not the amortizing notes are delivered to the trustee); and
- all other rights of the holder will terminate (other than the right to receive the repurchase price).

In connection with any repurchase offer pursuant to an early mandatory settlement notice, we will, if required by applicable provisions of the Exchange Act or SEC regulations thereunder:

- comply with the provisions of the tender offer rules under the Exchange Act that may then be applicable; and
- file a Schedule TO or any other required schedule under the Exchange Act.

No amortizing notes may be repurchased at the option of holders if the principal amount thereof has been accelerated, and such acceleration has not been rescinded, on or prior to the repurchase date (except in the case of a default by us of the payment of the repurchase price with respect to such amortizing notes).

Subordination

The indenture provides that the amortizing notes are subordinated and junior in right of payment to the Company s obligations to the holders of Senior Debt (as defined below) to the extent specified in the indenture. This means that in the case of any insolvency, liquidation or other certain specified events of or relating to the Company as a whole, whether voluntary or involuntary, all obligations to holders of Senior Debt shall be entitled to be paid in full before any payment shall be made on account of the principal of or interest on the amortizing notes.

In addition, if (1) there shall have occurred and be continuing a default with respect to any Senior Debt that permits the holders of the Senior Debt to accelerate the maturity of such Senior Debt and (2) the default is the subject of judicial proceedings or the Company receives a notice of the default, unless and until such event of default shall have been cured or waived or 120 days pass after the notice is given if the default is not the subject of judicial proceedings, no installment payments shall be made by the Company with respect to the amortizing notes.

The term Senior Debt means the principal, premium, if any, unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not a claim for post-filing interest is allowed in such proceeding), fees, charges, expenses, reimbursement and indemnification obligations, and all other amounts payable under or in respect of the following indebtedness of the Company for money borrowed, whether any such indebtedness exists as of the date of the Indenture or is created, incurred, assumed or guaranteed after such date:

(i) any debt (a) for money borrowed by the Company, or (b) evidenced by a bond, note, debenture, or similar instrument (including purchase money obligations) given in connection with the acquisition of any business, property or assets, whether by purchase, merger, consolidation or otherwise, but shall not include any account payable or other obligation created or assumed in the ordinary course of business in connection with the obtaining of materials or services, or (c) which is a direct or indirect obligation which arises as a result of banker s acceptances or bank letters of credit issued to secure obligations of the Company, or to secure the payment of revenue bonds issued for the benefit of the Company whether contingent or otherwise;

(ii) any debt of others described in the preceding clause (i) which the Company has guaranteed or for which it is otherwise liable;

(iii) the obligation of the Company as lessee under any lease of property which is reflected on the Company s balance sheet as a capitalized lease; and

(iv) any deferral, amendment, renewal, extension, supplement or refunding of any liability of the kind described in any of the preceding clauses (i), (ii) and (iii);

provided, however, that, in determining the indebtedness of the Company, there shall be excluded any particular indebtedness if, upon or prior to the maturity thereof, there shall have been deposited with a depository in trust money (or evidence of indebtedness if permitted by the instrument creating such indebtedness) in the necessary amount to pay, redeem or satisfy such indebtedness as it becomes due, and the amount so deposited shall not be included in any determination of the indebtedness of the Company provided, further, that in determining the indebtedness of the Company hereunder, there shall be excluded (1) any such indebtedness, obligation or liability referred to in clauses (i) through (iv) above as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness, obligation or liability is not superior in right of payment to the amortizing notes, or ranks pari passu with the amortizing notes, (2) any such indebtedness, obligation or liability which is subordinated to indebtedness of the Company to substantially the same extent as or to a greater extent than the amortizing notes are subordinated, (3) any indebtedness to a subsidiary of the Company and (4) the amortizing notes. There is no limit on the amount of Senior Debt that the Company may incur.

Events of Default

Each of the following will be an event of default with respect to the amortizing notes:

default in the payment in full of (i) all deferred installment payments on the amortizing notes on or by May 15, 2019 or (ii) the repurchase price of any amortizing note when such is due and, in each case, continuance of such failure to pay for a period of 30 days;

failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the amortizing notes or in the indenture, and continuance of such failure for a period of 90 days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the trustee, or to the Company and the trustee by the holders of at least 25% in aggregate principal amount of the securities of all series affected thereby specifying such default or breach; and

specified events of bankruptcy, insolvency or reorganization, or court appointment of a receiver, liquidator or trustee of the Company.

If an event of default described in the third bullet above (a bankruptcy event of default) occurs and is continuing, then and in each such case either the trustee or the holders of not less than 25% in aggregate initial principal amount of the amortizing notes then outstanding, by notice in writing to the Company (and to the trustee if given by holders), may declare the principal amount of all the amortizing notes to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This provision, however, is subject to the condition that, at any time after such a declaration of acceleration, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the holders of a majority in aggregate principal amount of the amortizing notes then outstanding, by written notice to the Company and to the trustee, may waive all defaults and rescind and annul such declaration and its consequences, if:

- the Company shall pay or shall deposit with the trustee a sum sufficient to pay:
  - all matured installments of interest on all the amortizing notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest (to the extent that payment of such interest is enforceable under applicable law) at the rate borne by the amortizing notes, to the date of such payment or deposit); and
  - all sums paid or advanced by the trustee and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel and any other amounts due the trustee under the indenture; and
- any and all defaults with respect to amortizing notes under the indenture, other than the nonpayment of installments on amortizing notes that shall have become due by acceleration, shall have been cured or waived as provided below in the third-to-last paragraph of this section.

No such waiver or rescission and annulment shall extend or shall affect any subsequent default or shall impair any right consequent thereon.

There is no right of acceleration upon the occurrence of an event of default described in the first bullet or second bullet of the definition of event of default above. In addition, any deferral of installment payments on the amortizing notes made in accordance with the provisions described under Option to Extend Installment Payment Period will not constitute an event of default under the indenture.

In the case of an event of default described in the first bullet of the definition thereof, then, upon demand of the trustee, the Company will pay to the trustee, for the benefit of the holders of the amortizing notes, the whole amount that then shall have become due and payable on all such amortizing notes for principal, premium, if any, or interest, or any combination thereof, as the case may be, with interest upon the overdue principal and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest, at the rate borne by the amortizing notes; and, in addition, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation, expenses, disbursements and advances of the trustee, its agent, attorneys and counsel. If the Company does not pay such amounts upon such demand, the trustee shall be entitled and empowered to institute any actions or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on the amortizing notes and collect in the manner provided by

law out of the property of the Company or any other obligor on the amortizing notes, wherever situated, the money adjudged or decreed to be payable.

No holder of any amortizing note shall have any right to institute any suit, action or proceeding in equity or at law upon or under or with respect to the indenture or for the appointment of a receiver or trustee, or for any other remedy under the indenture, unless such holder previously shall have given to the trustee written notice of default and of the continuance thereof and unless also:

the holders of not less than 25% in aggregate principal amount of the amortizing notes then outstanding shall have made written request upon the trustee to institute such action, suit or proceeding in its own name as

trustee under the indenture and shall have offered to the trustee security or indemnity reasonably satisfactory to the trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

the trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have neglected or refused to institute any such action, suit or proceeding and

no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in principal amount of the outstanding amortizing notes;

it being understood and intended, and being expressly covenanted by each person who acquires and holds an amortizing note with every other such person holding an outstanding note under the base indenture, that no one or more holders of outstanding notes under the base indenture shall have any right in any manner whatever by virtue of or by availing of any provision of the indenture to affect, disturb or prejudice the rights of any other holder of such notes, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under the indenture, except in the manner provided in the indenture and for the equal, ratable and common benefit of all holders of the amortizing notes. Notwithstanding any other provision of the indenture, however, the right of any holder of any amortizing note to receive payment of installments on or after their respective due dates, or to institute suit for the enforcement of any such payment on or after such respective dates against the Company, shall not be impaired or affected without the consent of such holder.

Subject to certain restrictions, the holders of a majority in aggregate principal amount of the amortizing notes affected (voting as one class) at the time outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee.

Prior to any declaration that the principal of the outstanding amortizing notes is due and payable, the holders of a majority in aggregate principal amount of the amortizing notes at the time outstanding on behalf of the holders of all of the amortizing notes may waive any past default or event of default under the Indenture and its consequences except a default under a covenant in the indenture that cannot be modified without the consent of each holder of an amortizing note affected thereby. Upon any such waiver, the Company, the trustee and the holders of the amortizing notes shall be restored to their former positions and rights under the Indenture, respectively; but no such waiver shall extend to any subsequent or other default or event of default or impair any right consequent thereon.

The trustee, within 90 days after it has actual notice of the occurrence of a default with respect to amortizing notes, shall mail to all holders notice of all such defaults known to the trustee, unless such defaults shall have been cured or waived before the giving of such notice; *provided* that, except in the case of default in the payment of an installment on any of the amortizing notes, the trustee shall be protected in withholding such notice if and so long as it in good faith determines that the withholding of such notice is in the interest of the holders.

Modifications and Amendments

The Company and the trustee may (a) amend and modify the indenture or debt securities under the indenture without notice to any holder but with the written consent of holders of at least a majority in principal amount of each series of all outstanding debt securities or (b) amend and modify the indenture with regard to a series of debt securities, amend or supplement a supplemental indenture relating to a series of debt securities or amend the debt securities of a series, without notice to any holder but with the written consent of the holders of a majority in aggregate principal amount of the debt securities of that series then outstanding. However, without the consent of each holder of each debt security issued under the indenture affected thereby, the Company may not amend or modify the indenture to:

change the stated maturity date of the principal of (or premium or make-whole amount, if any, on), or any installment of principal or interest on, any debt security issued under the indenture;

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- reduce the principal amount of or any make-whole amount, the rate of interest on or certain additional amounts payable in respect thereof, or any premium payable upon the redemption of any debt security issued under the indenture;

- reduce the amount of principal of an original issue discount security or the make-whole amount, if any, issued under the indenture payable upon acceleration of its maturity or provable in bankruptcy;

- change the place or currency of payment of principal or any premium or any make-whole amount or interest on any debt security issued under the indenture;

- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security issued under the indenture on or after the stated maturity thereof;

- reduce the percentage in principal amount of debt securities of any series issued under the indenture, the consent of whose holders is required to modify or amend the indenture or to waive compliance with certain provisions of the indenture; or

- make any change that adversely affects the right to convert or exchange any security or decrease the conversion/exchange rate or increase the conversion/exchange price.

The holders of a majority in principal amount of the debt securities of any series then outstanding may, with respect to that series, waive compliance with any provision of the indenture, any supplemental indenture or the debt securities of that series with regard to the debt securities of that series without notice to any holder. The holders of a majority in principal amount of the debt securities of all series then outstanding under the indenture may waive compliance by the Company with any provision or the indenture or the debt securities issued under the indenture without notice to any holder.

Unless otherwise indicated in the applicable prospectus supplement, we and the applicable indenture trustee may also amend and modify the indenture or the amortizing notes without the consent of any holder for any of the following purposes:

- to evidence the succession of another person to the Company and the assumption by any such successor of the covenants of the Company contained in the indenture and in the debt securities issued thereunder;

- to add to our covenants for the benefit of the holders of all or any series of debt securities or to surrender any right or power conferred in the indenture upon the Company;

- to add events of default for the benefit of the holders of all or any series of debt securities;

to add or change any provisions of the indenture to facilitate the issuance of bearer securities;

to add to, change or eliminate any of the provisions of the indenture in respect of any series of debt securities, provided that any such addition, change or elimination shall (i) neither (A) apply to any debt security of any series created prior to such amendment or modification entitled to the benefit of such provision, nor (B) modify the rights of the holder of any such debt security with respect to such provision, or (ii) become effective only when there is no debt security outstanding under the indenture;

	to establish the form or term			
Revenues:				
Oil and natural gas	**$ 7,189,000**	$ 5,895,000	**$ 14,657,000**	$ 11,103,000
Land investment	**150,000**	7,130,000	**2,797,000**	9,777,000
Contract drilling	**2,272,000**	730,000	**4,377,000**	1,030,000
Other	**181,000**	142,000	**345,000**	155,000
Total before interest income	**9,792,000**	13,897,000	**22,176,000**	22,065,000
Interest income	**31,000**	23,000	**54,000**	65,000
Total revenues	**$ 9,823,000**	$ 13,920,000	**$ 22,230,000**	$ 22,130,000
Depreciation, depletion and amortization:				
Oil and natural gas	**$ 2,020,000**	$ 1,589,000	**$ 4,146,000**	$ 3,044,000
Contract drilling	**23,000**	24,000	**47,000**	49,000
Other	**55,000**	61,000	**108,000**	125,000
Total	**$ 2,098,000**	$ 1,674,000	**$ 4,301,000**	$ 3,218,000
Operating profit (loss) (before general and administrative expenses):				
Oil and natural gas	**$ 3,882,000**	$ 2,897,000	**$ 7,764,000**	$ 5,328,000
Land investment, net of minority interest	**116,000**	5,312,000	**2,184,000**	7,380,000
Contract drilling	**718,000**	5,000	**1,302,000**	(55,000)
Other	**126,000**	81,000	**237,000**	30,000
Total	**4,842,000**	8,295,000	**11,487,000**	12,683,000
General and administrative expenses, net of minority interest	**(2,969,000)**	(2,956,000)	**(5,730,000)**	(4,890,000)
Interest expense	**(149,000)**	(157,000)	**(289,000)**	(290,000)
Interest income	**31,000**	23,000	**54,000**	65,000
Earnings before income taxes	**$ 1,755,000**	$ 5,205,000	**$ 5,522,000**	$ 7,568,000

7. INCOME TAXES

The current and deferred components of the provision for income taxes for the three and six months ended March 31, 2005 and 2004 are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2005	**2004**	**2005**	**2004**
Current	**$ 966,000**	$ 1,050,000	**$ 2,487,000**	$ 1,738,000
Deferred	**(121,000)**	415,000	**(315,000)**	(820,000)
	$ 845,000	$ 1,465,000	**$ 2,172,000**	$ 918,000

In November 2003, Royal Assent was received on a bill passed by the Parliament of Canada, which was then enacted into law, to reduce Canada s corporate tax rate on resource income (income derived from oil and natural gas operations) over a four-year period beginning January 1, 2003 from 29% to 21% with the 21% tax rate commencing on January 1, 2007. Additionally, the bill phases in over the same four-year period tax deductions for royalties, which previously were not tax deductible, and phases out the Resource Allowance deduction along with other changes. Accordingly, during the six months ended March 31, 2004, Barnwell s Canadian deferred income tax liabilities were reduced by approximately $1,440,000 due to the reduction in Canada s corporate tax rate. There was no benefit attributable to changes in Canada s corporate tax rate on resource income in the three months ended March 31, 2004 or three and six months ended March 31, 2005.

Barnwell s Canadian deferred income tax liabilities were also reduced in the six months ended March 31, 2004 as a result of the Province of Alberta s reduction of the province s corporate tax rate from 13.0% to 12.5%, effective April 1, 2003. The bill was enacted into law in December 2003. The reduction in the tax rate reduced Canadian deferred income taxes liabilities by approximately $100,000 in the six months ended March 31, 2004. There were no such changes enacted into law in the three months ended March 31, 2004 or three and six months ended March 31, 2005.

8. PENSION PLAN

The following table details the components of net periodic benefit cost for the three and six months ended March 31, 2005 and 2004:

	Three months ended March 31,		Six months ended March 31,	
	2005	**2004**	**2005**	**2004**
Service cost	**$ 34,000**	$ 38,000	**$ 68,000**	$ 76,000
Interest cost	**48,000**	46,000	**96,000**	91,000
Expected return on plan assets	**(41,000)**	(39,000)	**(82,000)**	(78,000)
Amortization of prior service cost	**2,000**	1,000	**3,000**	3,000
Amortization of net actuarial loss	**6,000**	5,000	**12,000**	9,000
Net periodic benefit cost	**$ 49,000**	$ 51,000	**$ 97,000**	$ 101,000

Barnwell contributed $150,000 to the plan during the three and six months ended March 31, 2005. Barnwell estimates that it will contribute between $0 and approximately $50,000 to the plan during the remainder of fiscal 2005.

9. STOCK-BASED COMPENSATION

Barnwell applies the provisions of Accounting Principles Board Opinion No. 25 in accounting for stock-based compensation and adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation. Had compensation cost for stock options granted since October 1, 1995 been determined based on the fair value method of measuring stock-based compensation provisions of Statement of Financial Accounting Standards No. 123, Barnwell s net earnings and basic and diluted earnings per share (split-adjusted) would have been as follows:

	Three months ended	Six months ended