PACIFIC PREMIER BANCORP INC
Form 10-K/A
July 30, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File No.: 0-22193

Pacific Premier Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Delaware	33-0743196
(State of Incorporation)	(I.R.S. Employer Identification No)

1600 Sunflower Ave. 2nd Floor, Costa Mesa, California 92626
(Address of Principal Executive Offices and Zip Code)
Registrant's telephone number, including area code: (714) 431-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [__] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [__] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [__] No [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant, i.e., persons other than directors and executive officers of the registrant, was approximately $24,362,455 and was based upon the last sales price as quoted on The NASDAQ Stock Market as of June 30, 2009, the last business day of the most recently completed second fiscal quarter.

As of March 29, 2010, the Registrant had 10,033,836 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (“Form 10-K/A”) to our Annual Report on Form 10-K for the year ended December 31, 2009, initially filed with the Securities and Exchange Commission (the “SEC”) on March 29, 2010 (the “Original Filing”), is being filed solely to correct two date references in the Report of Independent Registered Public

Accounting Firm (the "Auditor's Report") in Item 8 of the Original Filing. The first and third paragraphs of the Auditor's Report in the Original Filing inadvertently referred to the audited period as ending on December 31, 2010, which dates have been corrected to reference December 31, 2009 in this Form 10-K/A.

Except as described above, this Form 10-K/A does not revise, amend, update or in any way affect any information or disclosures contained in the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date.

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As used in this Form 10-K/A, the terms "Company," "we," "us" and "our" refer to Pacific Premier Bancorp, Inc. and the term "Bank" refers to Pacific Premier Bank.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Pacific Premier Bancorp, Inc. and Subsidiaries
Costa Mesa, California

We have audited the accompanying consolidated statements of financial condition of Pacific Premier Bancorp, Inc. and Subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations, changes in its stockholders' equity, and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Vavrinek, Trine, Day & Co., LLP
Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants
Rancho Cucamonga, California
March 29, 2010

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except share data)

	At December 31,	
ASSETS	2009	2008
Cash and due from banks	$59,677	$8,181
Federal funds sold	29	1,526
Cash and cash equivalents	59,706	9,707
Investment securities available for sale	123,407	56,606
FHLB stock/Federal Reserve Bank stock, at cost	14,330	14,330
Loans held for sale, net	-	668
Loans held for investment, net of allowance for loan losses of $8,905 (2009) and $5,881 (2008)	566,584	622,470
Accrued interest receivable	3,520	3,627
Other real estate owned	3,380	37
Premises and equipment	8,713	9,588
Deferred income taxes	11,465	10,504
Bank owned life insurance	11,926	11,395
Other assets	4,292	1,024
TOTAL ASSETS	$807,323	$739,956

LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposit accounts:		
Noninterest bearing	$33,885	$29,435
Interest bearing:		
Transaction accounts	161,872	58,861
Retail certificates of deposit	417,377	341,741
Wholesale/brokered certificates of deposit	5,600	27,091
Total Deposits	618,734	457,128
FHLB advances and other borrowings	91,500	209,900
Subordinated debentures	10,310	10,310
Accrued expenses and other liabilities	13,277	5,070
TOTAL LIABILITIES	733,821	682,408
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY		
Preferred Stock, $.01 par value; 1,000,000 shares authorized; no shares outstanding	-	-
Common stock, $.01 par value; 15,000,000 shares authorized; 10,033,836 (2009) and 4,903,451 (2008) shares issued and outstanding	100	49
Additional paid-in capital	79,907	64,679
Accumulated deficit	(4,764)	(4,304)
Accumulated other comprehensive loss, net of tax of $1,218 (2009) and $2,011 (2008)	(1,741)	(2,876)
TOTAL STOCKHOLDERS' EQUITY	73,502	57,548
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$807,323	$739,956

See Notes to Consolidated Financial Statements

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)

	For the Years ended December 31,		
	2009	2008	2007
INTEREST INCOME			
Loans	$39,570	$42,101	$45,272
Investment securities and other interest-earning assets	3,869	4,421	4,160
Total interest income	43,439	46,522	49,432
INTEREST EXPENSE			
Interest-bearing deposits:			
Interest on transaction accounts	1,429	1,448	1,773
Interest on certificates of deposit	11,618	13,005	13,848
Total interest-bearing deposits	13,047	14,453	15,621
FHLB advances and other borrowings	6,839	10,302	14,723
Subordinated debentures	368	649	822
Total interest expense	20,254	25,404	31,166
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	23,185	21,118	18,266
PROVISION FOR LOAN LOSSES	7,735	2,241	1,651

NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	15,450	18,877	16,615
NONINTEREST INCOME			
Loan servicing fee income	486	989	1,056
Deposit fees	851	601	619
Net gain (loss) from sales of loans	(351)	92	3,720
Net gain (loss) from sales of investment securities	687	(3,586)	-
Other-than-temporary-impairment loss on investment securities	(2,030)	(1,300)	-
Other income	1,054	1,032	964
Total noninterest income (loss)	697	(2,172)	6,359
NONINTEREST EXPENSE			
Compensation and benefits	8,047	8,986	10,479
Premises and occupancy	2,559	2,529	2,407
Data processing and communications	633	570	512
Other real estate owned operations, net	373	114	42
FDIC insurance premiums	1,382	264	144
Legal and audit	797	602	806
Marketing expense	664	781	713
Office and postage expense	295	344	384
Other expense	1,944	1,774	1,761
Total noninterest expense	16,694	15,964	17,248
INCOME (LOSS) BEFORE INCOME TAX (BENEFIT)	(547)	741	5,726
INCOME TAX (BENEFIT)	(87)	33	2,107
NET INCOME (LOSS)	$(460)	$708	$3,619
EARNINGS (LOSS) PER SHARE			
Basic	$(0.08)	$0.14	$0.70
Diluted	$(0.08)	$0.11	$0.55
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	5,642,589	4,948,359	5,189,104
Diluted	5,642,589	6,210,387	6,524,753

See Notes to Consolidated Financial Statements

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)
(dollars in thousands)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive Income	Comprehensive Income	Total Stockholders'
	Shares	Amount	Capital	Deficit	(loss)	(Loss)	Equity
Balance at December 31, 2006	5,263,488	$ 54	$ 67,306	$ (8,631)	$ (691)		$ 58,038

Comprehensive Income:							
Net income				3,619		$ 3,619	3,619
Unrealized holding losses on securities arising during the period, net of tax						(17)	
Reclassification adjustment for gain on securities included in net income, net of tax						-	
Net unrealized gain on securities, net of tax					(17)	(17)	(17)
Total comprehensive income						$ 3,602	
Share-based compensation expense			202				202
Repurchase of common stock	(100,000)	(2)	(1,090)				(1,092)
Balance at December 31, 2007	5,163,488	$ 52	$ 66,418	$ (5,012)	$ (708)		$ 60,750
Comprehensive Income:							
Net income				708		$ 708	708
Unrealized holding losses on securities arising during the period, net of tax						(3,389)	
Reclassification adjustment for net loss on securities included in net income, net of tax						1,221	
Net unrealized loss on securities, net of tax					(2,168)	(2,168)	(2,168)
Total comprehensive loss						$ (1,460)	
Share-based compensation expense			326				326
Restricted stock expense adjustment			6				6
Repurchase of common stock	(260,037)	(3)	(2,071)				(2,074)
Balance at December 31, 2008	4,903,451	$ 49	$ 64,679	$ (4,304)	$ (2,876)		$ 57,548
Comprehensive Income:							
Net loss				(460)		$ (460)	(460)
Unrealized holding gains on securities arising during the period, net of tax						1,310	
Reclassification adjustment for gain on securities included in net income, net of tax						(175)	
Net unrealized gain on securities, net of tax					1,135	1,135	1,135

Total comprehensive income						$ 675	
Share-based compensation expense			271				271
Issuance of common stock, net of issuance costs	5,030,385	50	15,191				15,241
Warrant exercise	200,000	2	148				150
Repurchase of common stock	(100,000)	(1)	(382)				(383)
Balance at December 31, 2009	10,033,836	$ 100	$ 79,907	$ (4,764)	$ (1,741)		$ 73,502

See Notes to Consolidated Financial Statements

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	For the Years ended December 31,		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$(460)	$708	$3,619
Adjustments to net income (loss):			
Depreciation and amortization expense	1,017	967	812
Provision for loan losses	7,735	2,241	1,651
Share-based compensation expense	271	326	202
Gain on sale of other real estate owned	(28)	-	(50)
Write down of other real estate owned	332	57	122
Loss (gain) on sale and disposal on premises and equipment	25	3	(200)
Amortization of premium/discounts on securities available for sale, net	70	(150)	(151)
Gain on sale of loans held for sale	(7)	(25)	(40)
Loss on sale and write down of investment securities available for sale	1,343	4,886	-
Purchase and origination of loans held for sale	-	(408)	(2,924)
Proceeds from the sales of and principal payments from loans held for sale	549	514	3,010
Loss (gain) on sale of loans held for investment	358	(67)	(3,680)
Deferred income tax provision (benefit)	(1,831)	(2,234)	259
Change in accrued expenses and other liabilities, net	(31)	(2,590)	1,074
Federal Home Loan Bank stock dividend	-	(568)	(813)
Income from bank owned life insurance	(531)	(526)	(525)
Change in accrued interest receivable and other assets, net	(3,084)	515	199
Net cash provided by operating activities	5,728	3,649	2,565
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale and principal payments on loans held for investment	54,818	156,393	389,619
Purchase and origination of loans held for investment	(11,432)	(160,075)	(406,574)

Proceeds from sale of other real estate owned	886	710	115
Principal payments on securities available for sale	14,430	11,811	5,711
Purchase of securities available for sale	(218,896)	(33,401)	(39,980)
Proceeds from sale or maturity of securities available for sale	146,418	14,179	39,980
Purchase of premises and equipment	(167)	(1,102)	(1,660)
Proceeds from sale and disposal of premises and equipment	-	20	200
Redemption (purchase) of FHLB and FRB stock	-	3,248	(663)
Net cash used in investing activities	(13,943)	(8,217)	(13,252)
CASH FLOW FROM FINANCING ACTIVITIES			
Net increase in deposit accounts	161,606	70,393	47,286
Proceeds from FHLB advances and other borrowings	-	27,835	-
Repayments of FHLB advances and other borrowings	(118,400)	(115,900)	(18,526)
Proceeds from issuance of common stock, net of issuance cost	15,241	-	-
Proceeds from exercise of warrants	150	-	-
Repurchase of common stock	(383)	(2,074)	(1,092)
Net cash provided by (used in) financing activities	58,214	(19,746)	27,668
Net increase (decrease) in cash and cash equivalents	49,999	(24,314)	16,981
Cash and cash equivalents, beginning of year	9,707	34,021	17,040
Cash and cash equivalents, end of year	$59,706	$9,707	$34,021
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid	$20,455	$25,540	$32,114
Income taxes paid	$1,110	$2,765	$2,379
NONCASH OPERATING ACTIVITIES DURING THE PERIOD			
Restricted stock vested	$104	$112	$127
NONCASH INVESTING ACTIVITIES DURING THE PERIOD			
Loan transfers to loans held for investment from loans held for sale	$126	$-	$-
Transfers from loans to other real estate owned	$4,533	$93	$760
Investment securities available for sale purchased and not settled	$8,238	$-	$-

See Notes to Consolidated Financial Statements

PACIFIC PREMIER BANCORP, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Pacific Premier Bancorp, Inc., (the ‘‘Corporation’’) and its wholly owned subsidiary, Pacific Premier Bank (the ‘‘Bank’’) (collectively, the ‘‘Company’’). The Company accounts for its investments in its wholly-owned special purpose entity, PPBI Statutory Trust I, (the “Trust”) using the equity method under which the subsidiaries’ net earnings are recognized in the Company’s Statement of Operations and the investment in the Trust is included in Other Assets on the Company’s Balance Sheet. All significant intercompany accounts and transactions have been eliminated in consolidation.

Description of Business—The Corporation, a Delaware corporation organized in 1997, is a California-based bank holding company that owns 100% of the capital stock of the Bank, the Corporation's principal operating subsidiary. The Bank was incorporated and commenced operations in 1983.

The principal business of the Company is attracting deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, primarily in multi-family (apartment buildings of five units or more) and commercial real estate property loans. At December 31, 2009, the Company had six depository branches located in the cities of Costa Mesa, Huntington Beach, Los Alamitos, Newport Beach, San Bernardino, and Seal Beach. The Company is subject to competition from other financial institutions. The Company is subject to the regulations of certain governmental agencies and undergoes periodic examinations by those regulatory authorities.

Basis of Financial Statement Presentation—The accompanying consolidated financial statements have been prepared in conformity with account principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the balance sheets and the results of operations for the reporting periods. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of foreclosed real estate, OTTI on investment securities available for sale and the deferred tax asset.

Cash and cash equivalents—Cash and cash equivalents include cash on hand, due from banks and fed funds sold. At December 31, 2009, $906,000 was allocated to cash reserves required by the Federal Reserve for depository institutions based on the amount of deposits held. The Company maintains amounts due from banks that exceed federally insured limits. The Company has not experienced any losses in such accounts.

Securities—The Company has established written guidelines and objectives for its investing activities. At the time of purchase, management designates the security as either held to maturity, available for sale or held for trading based on the Company's investment objectives, operational needs and intent. The investments are monitored to ensure that those activities are consistent with the established guidelines and objectives.

Securities Held to Maturity—Investments in debt securities that management has the positive intent and ability to hold to maturity are reported at cost and adjusted for unamortized premiums and unearned discounts that are recognized in interest income using the interest method over the period to maturity. If the cost basis of these securities is determined to be other than temporarily impaired, the amount of the impairment is charged to operations. The Company had no investment securities classified as held to maturity at December 31, 2009 or 2008.

Securities Available for Sale—Investments in debt securities that management has no immediate plan to sell, but which may be sold in the future, are valued at fair value. Premiums and discounts are amortized using the interest method over the remaining period to the call date for premiums or contractual maturity for discounts and, in the case of mortgage-backed securities, adjusted for anticipated prepayments. Unrealized holding gains and losses, net of tax, are excluded from earnings and reported as a separate component of stockholders' equity as accumulated other comprehensive income. If the cost basis of the security is deemed other than temporarily impaired the amount of the impairment is charged to operations. Realized gains and losses on the sales of securities are determined on the specific identification method, recorded on a trade date basis based on the amortized cost basis of the specific security and are included in noninterest income as net gain (loss) on investment securities.

Securities Held to Trading—Securities held for trading are carried at fair value. Realized and unrealized gains and losses are reflected in earnings. The Company had no investment securities classified as held for trading at December 31, 2009 or 2008.

Impairment of Investments—Declines in the fair value of individual held to maturity and available for sale securities below their cost that are OTTI result in write-downs of the individual securities to their fair value. The related write-downs are included in operations as realized losses in the category of net gain (loss) from sales of investment securities. In estimating OTTI losses, management considers: (i) the length of time and the extent to which the market value has been less than cost; (ii) the financial condition and near-term prospects of the issuer; (iii) the intent and ability of the Company to retain its investment in a security for a period of time sufficient to allow for any anticipated recovery in market value; and (iv) general market conditions which reflect prospects for the economy as a whole, including interest rates and sector credit spreads.

Loans Held for Sale—The Company identifies at origination those loans which foreseeably may be sold prior to maturity as loans held for sale and records them at the lower of amortized cost or fair value. Premiums paid and discounts obtained on such loans are deferred as an adjustment to the carrying value of the loans until the loans are sold. Interest is recognized as revenue when earned according to the terms of the loans and when, in the opinion of management, it is collectible. Loans are evaluated for collectability, and if appropriate, previously accrued interest is reversed. The Company may sell loans which had been held for investment. In such occurrences, the loans are transferred to the held for sale portfolio at the lower of amortized cost or fair value. If any part of a decline in value of the loans transferred is due to credit deterioration, that decline is recorded as a charge-off to the allowance for loan losses at the time of transfer. Gains or losses on sales of loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the basis of the loans sold. There were no loans held for sale at December 31, 2009. At December 31, 2008, loans held for sale consisted of the guaranteed portion of our SBA loans and were carried at the lower of cost or market.

Loans Held for Investment—Loans held for investment are carried at amortized cost, net of discounts and premiums, deferred loan origination fees and costs and allowance for loan losses. Net deferred loan origination fees and costs on loans are amortized or accreted using the interest method over the expected life of the loans. Amortization of deferred loan fees and costs are discontinued for loans placed on nonaccrual. Any remaining deferred fees or costs and prepayment fees associated with loans that payoff prior to contractual maturity are included in loan interest income in the period of payoff. Loan commitment fees received to originate or purchase a loan are deferred and, if the commitment is exercised, recognized over the life of the loan as an adjustment of yield or, if the commitment expires unexercised, recognized as income upon expiration of the commitment. Loans held for investment are not adjusted to the lower of cost or estimated market value because it is management's intention, and the Company has the ability, to hold these loans to maturity.

Interest on loans is credited to income as earned. Interest receivable is accrued only if deemed collectible. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collection of interest. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Interest income generally is not recognized on impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction to the loan principal balance. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

A loan is considered to be impaired when it is probable that the Company will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Measurement of impairment is based on the loan’s expected future cash flows discounted at the loan’s effective interest rate, measured by reference to an observable market value, if one exists, or the fair value of the collateral if the loan is deemed collateral dependent. The Company selects the measurement method on a loan-by-loan basis except those loans deemed collateral dependent. All loans are generally charged-off at such time the loan is classified as a loss.

Allowance for Loan Losses—The Company maintains an allowance for loan losses at a level deemed appropriate by management to provide for known or inherent risks in the portfolio at the balance sheet date. The Company has implemented and adheres to an internal asset review system and loss allowance methodology designed to provide for the detection of problem assets and an adequate allowance to cover loan losses. Management's determination of the adequacy of the loan loss allowance is based on an evaluation of the composition of the portfolio, actual loss experience, industry charge-off experience on income property loans, current economic conditions, and other relevant factors in the area in which the Company's lending and real estate activities are based. These factors may affect the borrowers' ability to pay and the value of the underlying collateral. The allowance is calculated by applying loss factors to loans held for investment according to loan program type and loan classification. The loss factors are established based primarily upon the Bank's historical loss experience and the industry charge-off experience and are evaluated on a quarterly basis. The unallocated allowance is based upon management's evaluation of various conditions, the effect of which is not directly measured in the determination of the formula. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific problem credits or portfolio segments. The conditions evaluated in connection with the unallocated allowance include the following conditions that existed as of the balance sheet date: (1) general economic and business conditions affecting the key lending areas of the Company, (2) credit quality trends, (3) loan volumes and concentrations, (4) recent loss experience in particular segments of the portfolio, and (5) regulatory examination results. Various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on judgments different from those of management. In the opinion of management, and in accordance with the credit loss allowance methodology, the present allowance is considered adequate to absorb estimable and probable credit losses. Additions and reductions to the allowance are reflected in current operations. Charge-offs to the allowance are made when specific assets are considered uncollectible or are transferred to other real estate owned and the fair value of the property is less than the loan's recorded investment. Recoveries are credited to the allowance.

Although management uses the best information available to make these estimates, future adjustments to the allowance may be necessary due to economic, operating, regulatory and other conditions that may be beyond the Company's control.

Other Real Estate Owned—The Company obtains an appraisal and/or market valuation on all other real estate owned at the time of possession. Real estate properties acquired through, or in lieu of, loan foreclosure are recorded at fair value less cost to sell with any excess loan balance charged against the allowance for estimated loan losses. After foreclosure, valuations are periodically performed by management. Any subsequent fair value losses are recorded to other real estate owned operations with a corresponding write down to the asset. All legal fees and direct costs, including foreclosure and other related costs are expensed as incurred. Revenue and expenses from continued operations are included in other real estate owned operations in the consolidated statement of operations.

Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 40 years for buildings, seven years for furniture, fixtures and equipment, and three years for computer and telecommunication equipment. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the estimated useful life of the asset or the term of the related leases.

The Company periodically evaluates the recoverability of long-lived assets, such as premises and equipment, to ensure the carrying value has not been impaired. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Securities Sold Under Agreements to Repurchase—The Company enters into sales of securities under agreement to repurchase. These agreements are treated as financing arrangements and, accordingly, the obligations to repurchase the securities sold are reflected as liabilities in the Company's consolidated financial statements. The securities collateralizing these agreements are delivered to several major national brokerage firms who arranged the transactions. The securities are reflected as assets in the Company's consolidated financial statements. The brokerage firms may loan such securities to other parties in the normal course of their operations and agree to return the identical security to the Company at the maturity of the agreements.

Subordinated Debentures—Long-term borrowings are carried at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest expense using the interest method. Debt issuance costs are recognized in interest expense using the interest method over the life of the instrument.

Income Taxes—Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the asset liability method. In estimating future tax consequences, all expected future events other than enactments of changes in the tax law or rates are considered. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are to be recognized for temporary differences that will result in deductible amounts in future years and for tax carryforwards if, in the opinion of management, it is more likely than not that the deferred tax assets will be realized. As of December 31, 2009, there was no valuation allowance deemed necessary against the Company's deferred tax asset.

Bank owned life insurance—Bank owned life insurance is accounted for using the cash surrender value method and is recorded at its realizable value. The change in the net asset value is included in other assets and other noninterest income.

Comprehensive Income—The Company classifies items of other comprehensive income by their nature in the financial statements and displays the accumulated other comprehensive income as a separate component of stockholders' equity on the Balance Sheet. Changes in unrealized gain (loss) on available-for-sale securities net of income taxes is the only component of accumulated other comprehensive income for the Company.

Share-Based Compensation—The Company recognizes in the income statement the grant-date fair value of stock options and other equity-based forms of compensation issued to employees over the employees' requisite service period (generally the vesting period).

Recent Accounting Pronouncements

During 2009 , the following accounting guidance relevant to the Company has been issued by the Financial Accounting Standards Board (the "FASB"), and/or became effective.

Fair Value Measurements: In April 2009, accounting standards were amended to provide additional guidance for determining the fair value of a financial asset or financial liability when the volume and level of activity for such asset or liability decreased significantly and also to provide guidance for determining whether a transaction is orderly. The amendments were effective for annual reporting periods ended after June 15, 2009. Adoption of the amendments in 2009 did not have a material impact on the Company's financial statements.

In February 2008, the FASB issued instructions that delayed the effective date of fair value measurement for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) for fiscal years beginning after November 15, 2008. Adoption of the fair value measurement rules in 2009 for non-financial assets and non-financial liabilities subject to the delay did not have a material impact on Company's financial statements.

Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles: In June 2009, the Financial Accounting Standards Board ("FASB") issued an accounting standard regarding The FASB Accounting Standards Codification TM ("Codification" or "ASC")(FASB ASC 105) that will become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this standard, all interim and annual reporting periods ending after September 15, 2009, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. We adopted this standard on September 30, 2009 and the adoption did not have a material impact on the Company's financial statements.

Business Combinations: On January 1, 2009, the Company adopted FASB ASC 805 which requires, among other things, the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. The adoption of this standard had no effect on the Company's financial statements.

Other-Than-Temporary Impairment: In April 2009, accounting standards were amended to provide expanded guidance concerning the recognition and measurement of OTTI of debt securities classified as available for sale or held to maturity. The amendments require an entity to recognize the credit component of an OTTI of a debt security in earnings and the noncredit component in other comprehensive income when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. Expanded disclosures are also required concerning such impairments. The amendments were effective for annual reporting periods ended after June 15, 2009. Adoption of the amendments in 2009 did not have a material impact on the Company's financial statements.

Subsequent Events: In May 2009, the FASB issued guidance which requires the effects of events that occur subsequent to the balance-sheet date be evaluated through the date the financial statements are either issued or available to be issued. Entities are to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. Entities are required to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance-sheet date (recognized subsequent events). Entities are also prohibited from reflecting in their financial statements the effects of subsequent events that provide evidence about conditions that arose after the balance-sheet date (nonrecognized subsequent events), but requires information about those events to be disclosed if the financial statements would otherwise be misleading. This guidance was effective for annual financial periods ended after June 15, 2009 with prospective application. The Bank adopted the guidance for the year ended December 31, 2009 without an impact on the Company's financial statements.

Accounting for Transfers of Financial Assets: FASB ASC 860 enhances reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. It also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The standard will be effective January 1, 2010 and is not expected to have an impact on the Company's financial statements.

Fair Value Measurements and Impairments of Securities: On June 30, 2009, the Company adopted FASB ASC 825 which provides additional application guidance and enhances disclosures regarding fair value measurements and impairments of securities, as well as clarity and consistency in accounting for and presenting impairment losses on securities. The standards give guidance to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. The standards also relate to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet of companies at fair value. Previously, fair values for these assets and liabilities were only disclosed once a year, These disclosures are now required on a quarterly basis to provide qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. Guidance on OTTI is intended to bring greater consistency to the timing of impairment recognition, and provide greater clarity to investors about the credit and noncredit components of impaired debt securities that are not expected to be sold. The measure of impairment in comprehensive income remains fair value. The standard also requires increased and timelier disclosures sought by investors regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. The adoption of this standard had no impact on the Company's financial statements.

Reclassifications –Certain amounts reflected in the 2008 and 2007 consolidated financial statements have been reclassified where practicable, to conform to the presentation for 2009. These classifications are of a normal recurring nature.

2. Regulatory Capital Requirements and Other Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain capital in order to meet certain capital ratios to be considered adequately capitalized or well capitalized under the regulatory framework for prompt corrective action. As of the most recent formal notification from the Federal Reserve, the Bank was categorized as well capitalized. There are no conditions or events since that notification that management believes have changed the Bank's categorization. As defined in applicable regulations and set forth in the table below, at December 31, 2009, the Bank continues to exceed the "well capitalized" standards for Tier I capital to adjusted tangible assets of 5.00%, Tier I risk-based capital to risk-weighted assets of 6.00% and total capital to risk-weighted assets of 10.00%.

In the fourth quarter of 2009, the Company raised $15.5 million in capital by issuing 5,030,385 shares of its common stock at a public offering price of $3.25 per share. The Company injected $14.0 million of the proceeds from the offering into the Bank, which enhanced the Bank's regulatory capital ratios.

The Company's and Bank's actual capital amounts and ratios are presented in the table below:

	Actual		Minimum Required for Capital Adequacy Purposes		Required to be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
At December 31, 2009						
Tier 1 Capital (to adjusted tangible assets)						
Bank	$78,463	9.72 %	$32,300	4.00 %	$40,375	5.00 %
Consolidated	79,801	9.89 %	32,275	4.00 %	N/A	N/A
Tier 1 Risk-Based Capital (to risk-weighted assets)						
Bank	78,463	13.30 %	23,600	4.00 %	35,401	6.00 %

Consolidated	79,801	13.41	%	23,798	4.00	%	N/A	N/A	
Total Capital (to risk-weighted assets)									
Bank	85,855	14.55	%	47,201	8.00	%	59,001	10.00	%
Consolidated	87,256	14.67	%	47,596	8.00	%	N/A	N/A	
At December 31, 2008									
Tier 1 Capital (to adjusted tangible assets)									
Bank	$64,880	8.71	%	$29,808	4.00	%	$37,261	5.00	%
Consolidated	67,859	8.99	%	30,199	4.00	%	N/A	N/A	
Tier 1 Risk-Based Capital (to risk-weighted assets)									
Bank	64,880	10.71	%	24,229	4.00	%	36,343	6.00	%
Consolidated	67,859	11.11	%	24,437	4.00	%	N/A	N/A	
Total Capital (to risk-weighted assets)									
Bank	70,761	11.68	%	48,457	8.00	%	60,571	10.00	%
Consolidated	73,741	12.07	%	48,874	8.00	%	N/A	N/A	

3. Investment Securities

The amortized cost and estimated fair value of securities were as follows:

	December 31, 2009			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
U.S. Treasury	$ 148	$ 6	$ -	$ 154
Municipal bonds	17,918	200	(153)	17,965
Mortgage-backed securities	108,300	307	(3,319)	105,288
Total securities available for sale	126,366	513	(3,472)	123,407
FHLB stock	12,731	-	-	12,731
Federal Reserve Bank stock	1,599	-	-	1,599
Total equities held at cost	14,330	-	-	14,330
Total securities	$ 140,696	$ 513	$ (3,472)	$ 137,737

December 31, 2008

	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
		(in thousands)		
Investment securities available for sale:				
U.S. Treasury	$ 148	$ 19	$ -	$ 167
Mortgage-backed securities	61,345	997	(5,903)	56,439
Total securities available for sale	61,493	1,016	(5,903)	56,606
FHLB stock	12,731	-	-	12,731
Federal Reserve Bank stock	1,599	-	-	1,599
Total equities held at cost	14,330	-	-	14,330
Total securities	$ 75,823	$ 1,016	$ (5,903)	$ 70,936

The investment in FHLB stock is redeemable five years after the FHLB receives written notice from the Bank and only if the Bank has excess stock at the time of redemption. The investment in FHLB stock is periodically evaluated for impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. No impairment losses have been recorded through December 31, 2009.

At December 31, 2009, MBS with an estimated value of $39.5 million and a book value of $$39.7 million were pledged as collateral for the Bank's three inverse putable reverse repurchases totaling $28.5 million.

The Company reviewed individual securities classified as available-for-sale to determine whether a decline in fair value below the amortized cost basis is other-than-temporary. If it is probable that the Company will be unable to collect all amounts due according to contractual terms of the debt security not impaired at acquisition, an OTTI shall be considered to have occurred. If an OTTI occurs, the cost basis of the security would have been written down to its fair value as the new cost basis and the write down accounted for as a realized loss. Securities with OTTI at December 31, 2009 consisted of 29 private label MBS with a book value of $2.2 million. The Company realized OTTI losses of $2.0 million in 2009. Additionally, in December 2008 the Bank took an OTTI charge of $1.3 million. There were no OTTI charges in 2007.

The table below shows the number, fair value and gross unrealized holding losses of the Company's investment securities by investment category and length of time that the securities have been in a continuous loss position.

	December 31, 2009								
	Less than 12 months			12 months or Longer			Total		
	Number	Fair Value	Gross Unrealized Holding Losses	Number	Fair Value	Gross Unrealized Holding Losses	Number	Fair Value	Gross Unrealized Holding Losses
				(dollars in thousands)					
Municipal bonds	13	$ 11,303	$ (153)	-	$ -	$ -	13	$ 11,303	$ (153)
Mortgage-backed securities	29	64,903	(843)	63	4,761	(2,476)	92	69,664	(3,319)
Total	42	$ 76,206	$ (996)	63	$ 4,761	$ (2,476)	105	$ 80,967	$ (3,472)

	December 31, 2008								
	Less than 12 months			12 months or Longer			Total		
	Number	Fair Value	Gross Unrealized Holding Losses	Number	Fair Value	Gross Unrealized Holding Losses	Number	Fair Value	Gross Unrealized Holding Losses
	(dollars in thousands)								
Mortgage-backed securities	107	$ 16,905	$ (5,882)	1	$ 1,573	$ (21)	108	$ 18,478	$ (5,903)
Total	107	$ 16,905	$ (5,882)	1	$ 1,573	$ (21)	108	$ 18,478	$ (5,903)

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2009, by contractual maturity are shown in the table below.

	One Year or Less		More than One to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(dollars in thousands)									
Investement securities available for sale:										
U.S. Treasury	$-	$-	$74	$78	$74	$77	$-	$-	$148	$155
Municipal bonds	-	-	-	-	-	-	17,918	17,965	17,918	17,965
Mortgage-backed securities	-	-	10,290	10,363	215	227	97,795	94,697	108,300	105,287
Total investment securities available for sale	-	-	10,364	10,441	289	304	115,713	112,662	126,366	123,407
Stock:										
FHLB	12,731	12,731	-	-	-	-	-	-	12,731	12,731
Federal Reserve Bank	1,599	1,599	-	-	-	-	-	-	1,599	1,599
Total stock	14,330	14,330	-	-	-	-	-	-	14,330	14,330
Total securities	$14,330	$14,330	$10,364	$10,441	$289	$304	$115,713	$112,662	$140,696	$137,737

The temporary impairment in both years is a result of the change in market interest rates and not the underlying issuers' ability to repay. The Company has the intent and ability to hold these securities until the temporary impairment is eliminated. Accordingly, the Company has not recognized the temporary impairment in earnings of either year.

In 2009, net unrealized gains on investment securities available for sale were recognized in stockholders' equity to reduce the accumulated other comprehensive loss to $3.0 million, or $1.7 million net of tax, at December 31, 2009 and from $4.9 million or $2.9 million net of tax, at December 31, 2008.

4. Loans Held for Investment

Loans held for investment consisted of the following at December 31:

	2009	2008
	(in thousands)	
Real estate loans:		
Multi-family	$ 278,744	$ 287,592
Commercial investor	149,577	165,978
One-to-four family	8,491	9,925
Construction	-	2,733
Business loans:		
Commercial owner occupied	103,019	112,406
Commercial and industrial	31,109	43,235
SBA	3,337	4,274
Other loans	1,991	1,956
Total gross loans	576,268	628,099
Plus (less):		
Deferred loan origination costs-net	(779)	252
Allowance for estimated loan losses	(8,905)	(5,881)
Loans held for investment, net	$ 566,584	$ 622,470

From time to time, we may purchase or sell loans in order to manage concentrations, maximize interest income, change risk profiles, improve returns and generate liquidity.

The Company grants residential and commercial loans held for investment to customers located primarily in Southern California. Consequently, the underlying collateral for our loans and a borrower's ability to repay may be impacted unfavorably by adverse changes in the economy and real estate market in the region.

The following summarizes activity in the allowance for loan losses for the years ended December 31:

2009	2008	2007
	(in thousands)	

Balance, beginning of year	$ 5,881	$ 4,598	$ 3,543
ALLL Transfer In *	-	8	-
Provision for loan losses	7,735	2,241	1,651
Recoveries	100	208	105
Charge-offs	(4,811)	(1,174)	(701)
Balance, end of year	$ 8,905	$ 5,881	$ 4,598

* Note: Represents the addition of valuation reserves for overdrafts that were previously held outside of the General Allowance.

The Company does not accrue interest on loans 90 days or more past due or when, in the opinion of management, there is reasonable doubt as to the collection of interest. The Company had loans on nonaccrual status at December 31, 2009 of $10.0 million, 2008 of $5.2 million, and 2007 of $4.2 million. If such loans had been performing in accordance with their original terms, the Company would have recorded additional loan interest income of $781,000 in 2009, $491,000 in 2008 and $315,000 in 2007.

The following summarizes information related impaired loans at December 31:

	2009	2008	2007
		(in thousands)	
Total impaired loans	$ 13,657	$ 5,200	$ 7,396
Related general reserves on impaired loans	179	18	534
Average impaired loans for the year	11,228	5,353	3,963
Total interest income recognized on impaired loans	232	212	611

The Company has no commitments to lend additional funds to debtors whose loans have been impaired.

Under applicable laws and regulations, the Bank may not make secured loans to one borrower in excess of 25% of unimpaired capital plus surplus and likewise in excess of 15% for unsecured loans. These loans-to-one-borrower limitations result in a dollar limitation of $18.1 million for secured loans and $10.9 million for unsecured loans at December 31, 2009. At December 31, 2009, the Bank’s largest aggregate outstanding balance of loans to one borrower was $11.5 million of secured credit.

Total loans and participations serviced for others were $36.5 million at December 31, 2009 and $33.7 million at December 31, 2008, for which we have no capitalized servicing rights.

5. Other Real Estate Owned

Other real estate owned was $3.4 million at December 31, 2009 and $37,000 at December 31, 2008. The following summarizes the activity in the other real estate owned for the years ended December 31:

	2009	2008
	(in thousands)	
Balance, beginning of year	$ 37	$ 711
Additions – foreclosures	4,533	93
Sales	(871)	(708)
Write downs	(319)	(59)
Balance, end of year	$ 3,380	$ 37

6. Premises and Equipment

Premises and equipment consisted of the following at December 31:

	2009	2008
	(in thousands)	
Land	$ 1,410	$ 1,410
Premises	5,633	5,617
Leasehold improvements	2,444	2,434
Furniture, fixtures and equipment	3,672	4,575
Automobiles	83	83
Subtotal	13,242	14,119
Less: accumulated depreciation	(4,529)	(4,531)
Total	$ 8,713	$ 9,588

Depreciation expense was $1.0 million for 2009 and 2008 and $0.8 million for 2007.

7. Deposit Accounts

Deposit accounts and weighted average interest rates consisted of the following at December 31:

	2009 Balance	Weighted Average Interest Rate	2008 Balance	Weighted Average Interest Rate
			(dollars in thousands)	

Transaction accounts								
Noninterest-bearing checking	$	33,885	0.00	%	$	29,443	0.00	%
Interest-bearing checking		22,406	0.39	%		20,989	0.97	%
Money market		77,687	1.17	%		23,463	2.00	%
Regular passbook		61,779	1.33	%		14,401	2.56	%
Total transaction accounts		195,757	0.93	%		88,296	1.18	%
Certificates of deposit accounts								
Under $100,000		217,001	2.15	%		187,805	3.82	%
$100,000 and over		205,976	2.23	%		181,027	3.75	%
Total certificates of deposit accounts		422,977	2.18	%		368,832	3.79	%
Total deposits	$	618,734	2.09	%	$	457,128	3.51	%

The aggregate annual maturities of certificates of deposit accounts at December 31, 2009 are as follows:

	2009			
		Balance	Weighted average interest rate	
		(in thousands)		
Within 3 months	$	89,282	1.92	%
4 to 6 months		137,447	2.25	%
7 to 12 months		70,918	1.99	%
13 to 24 months		118,720	2.37	%
25 to 36 months		5,209	2.72	%
37 to 60 months		745	3.84	%
Over 60 months		656	4.00	%
Total	$	422,977	2.09	%

The weighted average cost of deposits averaged 2.38% for 2009 and 3.51% for 2008.

Interest expense on deposit accounts for the years ended December 31 is summarized as follows:

	2009	2008	2007

	(in thousands)		
Checking accounts	$ 173	$ 246	$ 313
Passbook accounts	545	431	84
Money market accounts	711	771	1,376
Certificates of deposit accounts	11,618	13,005	13,848
Total	$ 13,047	$ 14,453	$ 15,621

Accrued interest on deposits, which is included in accrued expenses and other liabilities, was $90,000 at December 31, 2009 and $178,000 at December 31, 2008.

8. Federal Home Loan Bank Advances and Other Borrowings

At December 31, 2009, FHLB borrowings totaled $63.0 million, compared to $181.4 million at December 31, 2008. FHLB advances were collateralized by real estate loans with an aggregate principal balance of $483.9 million and FHLB stock of $12.7 million at December 31, 2009 and real estate loans of $508.4 million and FHLB stock of $12.7 million at December 31, 2008.

The following table summarizes activities in advances from the FHLB for the periods indicated:

	Years Ended December 31, 2009	2008
	(dollars in thousands)	
Average balance outstanding	$ 127,653	$ 236,494
Maximum amount outstanding at any month-end during the year	150,000	303,500
Balance outstanding at end of year (a)	63,000	181,400
Weighted average interest rate during the year	4.77 %	4.24 %

(a) The 2009 FHLB advance carries a weighted average interest rate of 4.90% and matures withing one year.

In addition to the collateral securing existing advances, the Company had an additional $232 million in loans available at the FHLB as collateral for any future advances as of December 31, 2009.

Credit facilities have been established with Citigroup and Barclays Bank. The credit facilities are secured by pledged investment securities. At December 31, 2009 and 2008, the Company had borrowings of $18.5 million with Citigroup and $10.0 million with Barclays Bank. The borrowings are secured by MBS with an estimated fair value of $39.5 million.

At December 31, 2009, the Bank had unsecured lines of credit with five banks for a total amount of $35.0 million. At December 31, 2009 and 2008, the Company had no outstanding balances against these lines. The following summarizes activities in other borrowings:

	Year Ended December 31, 2009	2008
	(dollars in thousands)	
Average balance outstanding	$ 28,500	$ 14,787
Maximum amount outstanding at any month-end during the year	28,500	28,500
Balance outstanding at end of year	28,500	28,500
Weighted average interest rate during the year	2.61 %	1.80 %

9. Subordinated Debentures

On March 25, 2004 the Corporation issued $10,310,000 of Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Debt Securities") to PPBI Trust I, a statutory trust created under the laws of the State of Delaware. The Debt Securities are subordinated to effectively all borrowings of the Corporation and are due and payable on April 7, 2034. Interest is payable quarterly on the Debt Securities at three-month LIBOR plus 2.75% for a rate of 3.03% at December 31, 2009 and 7.57% at December 31 2008. The Debt Securities may be redeemed, in part or whole, on or after April 7, 2009 at the option of the Corporation, at par. The Debt Securities can also be redeemed at par if certain events occur that impact the tax treatment or the capital treatment of the issuance. The Corporation also purchased a 3% minority interest totaling $310,000 in PPBI Trust I. The balance of the equity of PPBI Trust I is comprised of mandatorily redeemable preferred securities ("Trust Preferred Securities") and is included in other assets. PPBI Trust I sold $10,000,000 of Trust Preferred Securities to investors in a private offering.

10. Income Taxes

Income taxes for the years ended December 31 consisted of the following:

	2009	2008	2007
		(in thousands)	
Current income tax provision:			
Federal	$ 953	$ 1,750	$ 1,554
State	791	517	294
Total current income tax provision	1,744	2,267	1,848
Deferred income tax provision (benefit):			

Federal		(1,250)		(1,578)		198
State		(581)		(656)		61
Total deferred income tax provision (benefit)		(1,831)		(2,234)		259
Total income tax provision (benefit)	$	(87)	$	33	$	2,107

A reconciliation from statutory federal income taxes to the Company's effective income taxes for the years ended December 31 are as follows:

		2009		2008 (in thousands)		2007
Statutory federal income tax provision (benefit)	$	(186)	$	252	$	1,662
California franchise tax (benefit), net of federal income tax effect		139		(92)		374
Other		(40)		(127)		71
Total	$	(87)	$	33	$	2,107

Deferred tax assets (liabilities) were comprised of the following temporary difference between the financial statement carrying amounts and the tax basis of assets at December 31:

		2009		2008
		(in thousands)		
Deferred tax assets:				
Accrued expenses	$	608	$	514
Depreciation on premises and equipment		103		103
Net operating loss		4,807		5,205
Allowance for loan losses, net of bad debt charge-offs		3,991		2,637
Unrealized losses on available for sale securities		1,217		2,011
Capital loss on mutual funds		1,232		742
Other-than-temporary impairment		1,489		579
Other		18		36
Total deferred tax assets		13,465		11,827

Deferred tax liabilities:		
State taxes	(695)	(500)
Federal Home Loan Bank stock dividends	(1,171)	(669)
Restricted stock and options expense	7	(14)
Other	(141)	(140)
Total deferred tax liabilities	(2,000)	(1,323)
Net deferred tax asset	$ 11,465	$ 10,504

At December 31, 2009, there was no valuation allowance against the Company's deferred tax asset. The Company has a net operating loss carryforward of approximately $12.4 million for federal income tax purposes which expires in 2023. In addition, the Company has a net operating loss carryforward of approximately $5.5 million for California franchise tax purposes. However, the state of California has suspended the net operating loss deduction utilization for the tax years 2008 and 2009. The net operating loss deduction for the state is now scheduled to expire in 2015. With the completion of the secondary offering in October 2003, the Company had an "ownership change" as defined under Internal Revenue Code Section 382. Under Section 382, which has also been adopted under California law, if during any three-year period there is more than a 50 percentage point change in the ownership of the Company, then the future use of any pre-change net operating losses or built-in losses of the Company may be subject to an annual percentage limitation based on the value of the company at the ownership change date. The ownership change reduced the net operating loss carryforward for federal tax purposes by $5.8 million and for state tax purposes by $3.3 million. The annual usable net operating loss carryforward going forward is approximately $932,000 per year.

As of December 31, 2009, tax years for 2005 through 2009 remain open to audit by the Internal Revenue Service and by the California state tax authority. Currently, the Bank is undergoing an examination of its 2005 and 2006 income tax returns by the California Franchise Tax Board. In connection with this examination, the state examiners reviewed, among other matters, whether our enterprise zone net interest deductions taken in tax years 2005 and 2006 are allowable. The enterprise zone net interest deductions for 2005 totaled $2.4 million and for 2006 totaled $2.2 million. After their review, the state disallowed our enterprise zone net interest deductions of $141,000 for the year ended December 31, 2005 and $121,000 for the year ended December 31, 2006. Based on their findings, the Company recorded an additional income tax for years 2005 through 2009 of $445,000.

11. Commitments, Contingencies and Concentrations of Risk

Legal Proceedings – In February 2004, the Bank was named in a class action lawsuit titled, "James Baker v. Century Financial, et al", alleging various violations of Missouri's Second Mortgage Loans Act (the "Missouri Act") by charging and receiving fees and costs that were either wholly prohibited by or in excess of that allowed by the Missouri Act relating to origination fees, interest rates, and other charges. The class action lawsuit was filed in the Circuit Court of Clay County, Missouri. The complaint seeks restitution of all improperly collected charges, interest plus the right to rescind the mortgage loans or a right to offset any illegal collected charges, interest against the principal amounts due on the loans and punitive damages. In March 2005, the Bank's motion for dismissal due to limitations was denied by the trial court without comment. The Bank's "preemption" motion was denied in August 2006. The Bank has answered the plaintiffs' complaint and the parties have exchanged and answered initial discovery requests. When the record is more fully developed, the Bank intends to raise the limitations issue again in the form of a motion for summary judgment.

The Company is not involved in any other pending legal proceedings other than legal proceedings occurring in the ordinary course of business. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material adverse impact on the results of operations or financial condition of the Company.

Lease Commitments – The Company leases a portion of its facilities from non-affiliates under operating leases expiring at various dates through 2023. The following schedule shows the minimum annual lease payments, excluding any renewals and extensions, property taxes, and other operating expenses, due under these agreements:

	Year ending December 31, (in thousands)
2010	$ 633
2011	660
2012	593
2013	585
2014	603
Thereafter	3,371
Total	$ 6,445

Rental expense under all operating leases totaled $646,000 for 2009, $643,000 for 2008, and $664,000 for 2007.

Share-Based Compensation – The following table provides a summary of the expenses the Company has recognized related to share-based compensation awards. The table below also shows the impact those expenses have had on diluted earnings per share and the remaining expense associated with those awards for the years ended December 31:

	2009	2008	2007
	(in thousands, except per share data)		
Share-based compensation expense:			
Stock option expense	$ 256	$ 214	$ 75
Restricted stock expense	15	112	127
Total share-based compensation expense	271	326	202
Total share-based compensation expense, net of tax	$ 160	$ 192	$ 119
Diluted shares outstanding	5,642,589	6,210,387	6,524,753
Impact on diluted earnings per share	$ 0.028	$ 0.031	$ 0.018
Unrecognized compensation expense:			
Stock option expense	$ 148	$ 559	$ 38
Restricted stock expense	-	14	85

Total unrecognized share-based compensation expense	148	573	123
Total unrecognized share-based compensation expense, net of tax	$ 87	$ 338	$ 73

Employment Agreements—The Company has entered into a three-year employment agreement with our Chief Executive Officer ("CEO"). This agreement provides for the payment of a base salary and a bonus based upon the CEO's individual performance and the Company's overall performance, provides a vehicle for the CEO's use, and provides for the payment of severance benefits upon termination under specified circumstances. Additionally, the Bank has entered into three-year employment agreements with the Chief Banking Officer. The agreement provides for the payment of a base salary, a bonus based upon the individual's performance and the overall performance of the Bank and the payment of severance benefits upon termination under specified circumstances.

Availability of Funding Sources—The Company funds substantially all of the loans, which it originates or purchases, through deposits, internally generated funds, and/or borrowings. The Company competes for deposits primarily on the basis of rates, and, as a consequence, the Company could experience difficulties in attracting deposits to fund its operations if the Company does not continue to offer deposit rates at levels that are competitive with other financial institutions. To the extent that the Company is not able to maintain its currently available funding sources or to access new funding sources, it would have to curtail its loan production activities or sell loans earlier than is optimal. Any such event could have a material adverse effect on the Company's results of operations, financial condition and cash flows.

12. Benefit Plans

401(k) Plan—The Bank maintains an Employee Savings Plan (the "401(k) Plan") which qualifies under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, employees may contribute between 1% to 50% of their compensation. In 2009, 2008 and 2007, the Bank matched 100% of contributions for the first three percent contributed and 50% on the next two percent contributed. Contributions made to the 401(k) Plan by the Bank amounted to $161,000 for 2009, $186,000 for 2008 and $202,000 for 2007.

Pacific Premier Bancorp, Inc. 2004 Long-Term Incentive Plan ("the Plan")—The Plan was approved by the Corporation's stockholders in May 2004. The Plan authorizes the granting of options equal to 525,500 shares of the common stock of the Corporation for issuances to executives, key employees, officers, and directors. The Plan will be in effect for a period of ten years from February 25, 2004, the date the Plan was adopted. Options granted under the Plan will be made at an exercise price equal to the fair market value of the stock on the date of grant. Awards granted to officers and employees may include incentive stock options, nonstatutory stock options and limited rights, which are exercisable only upon a change in control of the Corporation. The options granted pursuant to the Plan originally vested at a rate of 33.3% per year. On March 4, 2005, the Corporation chose to accelerate the vesting on all outstanding options.

Below is a summary of the activity in the Corporation's 2000 Stock Incentive Plan and the Plan for the years ended December 31, 2009, 2008, and 2007.

	2009		2008		2007	
	Shares	Weighted average exercise price per share	Shares	Weighted average exercise price per share	Shares	Weighted average exercise price per share

Options outstanding at the beginning of the year	633,550	$8.75	392,625	$10.72	335,225	$11.26
Granted	-	-	265,750	5.90	111,250	12.07
Exercised	-	-	-	-	-	-
Forfeited & Expired	(80,050)	8.78	(24,825)	9.45	(53,850)	16.89
Options outstanding at the end of the year	553,500	$8.74	633,550	$8.75	392,625	$10.72
Options exercisable at the end of the year	374,250		376,800		300,375	
Weighted average remaining contractual life of options outstanding at end of year	6.1 Years		7.0 Years		8.9 Years	

There were no stock options exercised in 2009, 2008 or 2007. The aggregate intrinsic value (the amount by which a call option is in the money, calculated by taking the difference between the strike price and the market price of the underlier) of options outstanding was zero at December 31, 2009, $11,000 at December 31, 2008, and $119,000 at December 31, 2007.

The amount charged against compensation expense in relation to the stock option was $256,000 for 2009 and $214,000 for 2008. At December 31, 2009, unrecognized compensation expense related to the options is approximately $90,569 for 2010, $57,265 for 2011, and $248 for 2012.

There were no options granted under the Plan during 2009. Options granted under the Plan during 2008 and 2007 were valued using the Black-Scholes model with the following average assumptions:

	Year Ended December 31,	
	2008	2007
Expected volatility	29.3% to 66.2%	10.3% to 13.2%
Expected term	10.0 Years	10.0 Years
Expected dividends	None	None
Risk free rate	2.69% to 3.96%	4.64% to 4.68%
Weighted-average grant date fair value	$2.57 to $2.81	$2.78 to $3.12

During 2006, restricted stock awards were granted for 35,050 shares of the Corporation's common stock. These shares vested with respect to each employee over a three-year period from the date of grant, provided the individual remains in the employment of the Company as of the vesting date. Additionally, these shares (or a portion thereof) could vest earlier in the event of a change in control of the Company. Compensation expenses relating to these grants were $15,000 for 2009 and $112,000 for 2008. At December 31, 2009, all restricted stock awards were fully vested. The table below summarizes the restricted stock award activity for the periods indicated.

Restricted stock awards	2009 Shares	2009 Weighted Average Grant Price	2008 Shares	2008 Weighted Average Grant Price	2007 Shares	2007 Weighted Average Grant Price
Outstanding grants at beginning of year	8,900	$11.70	20,300	$11.63	34,300	$11.62
Granted	-	-	-	-	-	-
Vested	(8,900)	11.70	(10,566)	11.58	(11,933)	11.60
Cancelled	-	-	(834)	11.34	(2,067)	11.73
Outstanding grants at end of year	-	$-	8,900	$11.70	20,300	$11.63

Restricted stock awards were expensed evenly over the vesting period. At December 31, 2009 there was zero remaining to be expensed for restricted stock awards that had been granted under the Plan.

Salary Continuation Plan—The Bank implemented a non-qualified supplemental retirement plan in 2006 (the "Salary Continuation Plan") for certain executive officers of the Bank. The Salary Continuation Plan is unfunded. The amounts expensed in 2009 and 2008 under the Salary Continuation Plan amounted to $36,000 and $111,000, respectively. As of December 31, 2009 and 2008, $321,000 and $290,000, respectively, were recorded in other liabilities on the consolidated statements of condition for the Salary Continuation Plan.

Long-Term Care Insurance Plan—The Bank implemented a Long-Term Care Insurance Plan in September 2006 for the executive officers and directors of the Bank. The non-employee directors may elect not to participate in the insurance plan. For those who opt out, the amount of the insurance premium, up to $4,000 annually, will be recorded each month to their deferred compensation account with interest. The expense for 2009 and 2008 was $30,000 and $33,000, respectively, for this plan. As of December 31, 2009 and 2008, $29,000 and $24,000, respectively, was recorded in other liabilities on the consolidated statements of condition for the insurance plan.

Directors' Deferred Compensation Plan—The Bank created a Directors' Deferred Compensation Plan in September 2006 which allows directors to defer board of directors' fees. The deferred compensation is credited with interest by the Bank at prime plus one percent and the accrued liability is payable upon retirement or resignation. The Directors' Deferred Compensation Plan is unfunded. The Company is under no obligation to make matching contributions to the plan. At December 31, 2009 the liability for the plan was $102,000 compared to $62,000 at December 31, 2008. The interest expense for 2009 was $3,000, compared to $2,000 for 2008 and $2,000 for 2007.

13. Financial Instruments with Off Balance Sheet Risk

The Company is a party to financial instruments with off- balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit in the form of originating loans or providing funds under existing lines or letters of credit. These commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require payment of a fee. Since many commitments are expected to expire, the total commitment amounts do not necessarily represent future cash requirements. Commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the accompanying consolidated statements of financial condition.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual or notional amount of those instruments. The Company controls credit risk of its commitments to fund loans through credit approvals, limits and monitoring procedures. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Company evaluates each customer for creditworthiness.

The Company receives collateral to support commitments when deemed necessary. The most significant categories of collateral include real estate properties underlying mortgage loans, liens on personal property and cash on deposit with the Bank.

The Company maintains an allowance for credit losses to provide for commitments related to loans associated with undisbursed loan funds and unused lines of credit. The allowance for these commitments was $13,000 at December 31, 2009 and $18,000 at December 31, 2008.

The Company’s commitments to extend credit at December 31, 2009 were $13.0 million and at December 31, 2008 was $14.4 million. The 2009 balance primarily included $10.9 million of undisbursed C&I loan funds and $1.3 million in standby letters of credit.

14. Fair Value of Financial Instruments

Fair Value of Financial Instruments—The Company’s estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies.

However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the Company could have realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since the balance sheet date and, therefore, current estimates of fair value may differ significantly from the amounts presented.

Cash and Cash Equivalents—The carrying amount approximates fair value due to their short-term repricing characteristics.

Securities Available for Sale—Fair values are based on quoted market prices from securities dealers or readily available market quote systems.

FHLB and Federal Reserve Bank Stock – The carrying value approximates the fair value based upon the redemption provisions of the stock.

Loans Held for Sale—Fair values are based on quoted market prices or dealer quotes.

Loans Held for Investment—The fair value of gross loans receivable has been estimated using the present value of cash flow method, discounting expected future cash flows by estimated market interest rates for loans with similar characteristics, including credit ratings and maturities. Consideration is also given to estimated prepayments and credit losses.

Accrued Interest Receivable/Payable—The carrying amount approximates fair value.

Deposit Accounts—The fair value disclosed for checking, passbook and money market accounts is the amount payable on demand at the reporting date. The fair value of certificates of deposit accounts is estimated using a discounted cash flow calculation based on interest rates currently offered for certificate of deposits of similar remaining maturities.

FHLB Advances and Other Borrowings—The fair value disclosed for FHLB advances and other borrowings is determined by discounting contractual cash flows at current market interest rates for similar instruments with similar terms.

Subordinated Debentures – The fair value of subordinated debentures is estimated by discounting the balance by the current three-month LIBOR rate plus the current market spread. The fair value is determined based on the maturity date as the Company does not currently have intentions to call the debenture.

Off-balance sheet commitments and standby letters of credit – The notional amount disclosed for off-balance sheet commitments and standby letters of credit is the amount available to be drawn down all lines and letters of credit. The cost to assume is calculated at 10% of the notional amount.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2009 and 2008.

	At December 31, 2009	
	Carrying Amount	Estimated Fair Value
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 59,706	$ 59,706
Securities available for sale	123,407	123,407
Federal Reserve Bank and FHLB stock, at cost	14,330	14,330
Loans held for investment, net	566,584	558,901
Accrued interest receivable	3,520	3,520
Liabilities:		
Deposit accounts	618,734	632,135
FHLB advances	63,000	64,666
Other borrowings	28,500	35,384
Subordinated debentures	10,310	5,378
	161	161

Accrued interest payable

	Notional Amount	Cost to Cede or Assume
Off-balance sheet commitments and standby letters of credit	$ 13,027	$ 1,303

	At December 31, 2008	
	Carrying Amount	Estimated Fair Value
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 9,707	$ 9,707
Securities available for sale	56,606	56,606
Federal Reserve Bank and FHLB stock, at cost	14,330	14,330
Loans held for sale, net	668	668
Loans held for investment, net	622,470	620,136
Accrued interest receivable	3,627	3,627
Liabilities:		
Deposit accounts	457,128	463,591
FHLB advances	181,400	187,225
Other borrowings	28,500	31,482
Subordinated debentures	10,310	6,732
Accrued interest payable	237	237

	Notional Amount	Cost to Cede or Assume
Off-balance sheet commitments and standby letters of credit	$ 16,548	$ 1,655

15. Fair Value Disclosures

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company

Level 2 – inputs that are observable in the marketplace other than those inputs classified as Level 1

Level 3 – inputs that are unobservable in the marketplace and significant to the valuation

The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

The Company's financial assets and liabilities measured at fair value on a recurring basis include securities available for sale, loans held for sale, and impaired loans. Securities available for sale include mortgage-backed securities and equity securities. Loans held for sale include the guarantee portion of our saleable SBA loans. Impaired loans include loans that are in a non-accrual status and where the Bank has reduced the principal to the value of the underlying collateral less the anticipated selling cost.

Marketable Securities. Where possible, the Company utilizes quoted market prices to measure debt and equity securities; such items are classified as Level 1 in the hierarchy and include equity securities, US government bonds and securities issued by federally sponsored agencies. When quoted market prices for identical assets are unavailable or the market for the asset is not sufficiently active, varying valuation techniques are used. Common inputs in valuing these assets include, among others, benchmark yields, issuer spreads, forward mortgage-backed securities trade prices and recently reported trades. Such assets are classified as Level 2 in the hierarchy and typically include private label mortgage-backed securities and corporate bonds. Pricing on these securities are provided to the Company by a pricing service vendor. In the Level 3 category, the Company is classifying all the securities that our pricing service vendor cannot price due to lack of trade activity in these securities.

Loans held for sale. The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan.

A loan is considered impaired when it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Impairment is measured based on the fair value of the underlying collateral or the discounted expected future cash flows. The Company measures impairment on all non-accrual loans for which it has reduced the principal balance to the value of the underlying collateral less the anticipated selling cost. As such, the Company records impaired loans as non-recurring Level 2 when the fair value of the underlying collateral is based on an observable market price or current appraised value. When current market prices are not available or the Company determines that the fair value of the underlying collateral is further impaired below appraised values, the Company records impaired loans as Level 3. At December 31, 2009, substantially all the Company's impaired loans were evaluated based on the fair value of their underlying collateral based upon the most recent appraisal available to management.

The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following fair value hierarchy table presents information about the Company's assets measured at fair value on a recurring basis at the dates indicated:

	At December 31, 2009 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Assets at Fair Value
	(in thousands)			
Assets				
Marketable securities	$ 117,729	$ 5,055	$ 623	$ 123,407
Total assets	$ 117,729	$ 5,055	$ 623	$ 123,407

	At December 31, 2008 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Assets at Fair Value
	(in thousands)			
Assets				
Marketable securities	$ 39,019	$ 15,973	$ 1,614	$ 56,606
Total assets	$ 39,019	$ 15,973	$ 1,614	$ 56,606

The following table provides a summary of the changes in balance sheet carrying values associated with Level 3 financial instruments during the twelve months ended December 31, 2009:

	Fair Value Measurement Using Significant Other Unobservable Inputs (Level 3)
	Marketable securities
Beginning Balance, January 1, 2009	$ 1,614
Total gains or losses (realized/unrealized):	
Included in earnings (or changes in net assets)	(673)
	(197)

Included in other comprehensive income		
Purchases, issuances, and settlements		(121)
Transfer in and/or out of Level 3		-
Ending Balance, December 31, 2009	$	623

The following table provides a summary of the financial instruments the Company measures at fair value on a non-recurring basis as of December 31, 2009:

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Assets at Fair Value
		(in thousands)		
Assets				
Impaired Loans	$ -	$ 13,657	$ -	$ 13,657
Other real estate owned	-	3,380	-	3,380
Total assets	$ -	$ 17,037	$ -	$ 17,037

16. Earnings (loss) Per Share

Earnings (loss) per share of common stock is calculated on both a basic and diluted basis based on the weighted average number of common and common equivalent shares outstanding, excluding common shares in treasury. Basic earnings (loss) per share excludes dilution and is computed by dividing income available to stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted from the issuance of common stock that then would share in earnings.

A reconciliation of the numerators and denominators used in basic and diluted earnings per share computations is presented in the table below. For the year ended December 31, 2009, 533,500 options and 966,400 warrants were excluded from the diluted earnings per share calculation due to the Company recording a net loss for the year. Excluded from the diluted earnings per share calculation were options of 606,050 for the year ended December 31, 2008 and 331,125 for the year ended December 31, 2007, as the exercise prices exceeded the stock price at the end of each period.

	Income/Loss) (numerator)	Shares (denominator)	Per Share Amount
	(dollars in thousands, except share data)		
For the year ended December 31, 2009:			
Net loss applicable to earnings per share	$ (460)		
Basic loss per share: loss available to common stockholders	(460)	5,642,589	$ (0.08)

Diluted loss per share: loss available to common stockholders	$	(460	)	5,642,589	$	(0.08)
For the year ended December 31, 2008:						
Net income applicable to earnings per share	$	708				
Basic earnings per share: Income available to common stockholders		708		4,948,359	$	0.14
Effect of dilutive securities : Warrants and stock option plans		-		1,262,028		
Diluted earnings per share: Income available to common stockholders	$	708		6,210,387	$	0.11
For the year ended December 31, 2007:						
Net income applicable to earnings per share	$	3,619				
Basic earnings per share: Income available to common stockholders		3,619		5,189,104	$	0.70
Effect of dilutive securities : Warrants and stock option plans		-		1,335,649		
Diluted earnings per share: Income available to common stockholders	$	3,619		6,524,753	$	0.55

17. Related Parties

Loans to our executive officers and directors are made in the ordinary course of business and are made on substantially the same terms as comparable transactions. For both 2009 and 2008, the Bank had three loans outstanding to the partnership of McKennon Wilson & Morgan LLP, of which Michael L. McKennon, a director of the Corporation, is a partner. The first two loans were commercial loans at fixed rates of 7.00% and 8.50%, and the third loan was a commercial line of credit with a variable rate at prime plus 50 basis points with a floor of 7.50%. All three of these loans were paid off in April 2009.

The following table shows the activity of loans to all officers and directors of the Company for the periods specified:

	2009	2008
	(in thousands)	
Balance, beginning of year	$ 422	$ 387
Originations/advances	-	225
Principal payments	422	190
Balance, end of year	$ -	$ 422

At the end of 2009 we had related party deposits of $1.5 million compared to $1.8 million at the end of 2008.

18. Quarterly Results of Operations (Unaudited)

The following is a summary of selected financial data presented below by quarter for the years ended December 31:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(dollars in thousands, except per share data)			
2009				
Interest income	$ 10,952	$ 11,295	$ 10,757	$ 10,435
Interest expense	5,675	5,306	5,004	4,269
Provision for estimated loan losses	1,160	2,374	2,001	2,200
Noninterest income	630	(328)	256	139
Noninterest expense	3,930	4,592	4,119	4,053
Income tax provision (benefit)	280	(592)	(104)	329
Net income (loss)	$ 537	$ (713)	$ (7)	$ (277)
Earnings (loss) per share:				
Basic	$ 0.11	$ (0.15)	--	$ (0.04)
Diluted	$ 0.09	$ (0.15)	--	$ (0.04)
2008				
Interest income	$ 11,944	$ 11,532	$ 11,570	$ 11,476
Interest expense	7,117	6,221	6,021	6,045
Provision for estimated loan losses	183	836	664	558
Noninterest income	678	(2,753)	647	(744)
Noninterest expense	4,015	3,969	3,951	4,036
Income tax provision (benefit)	464	(1,000)	581	(12)
Net income (loss)	$ 843	$ (1,247)	$ 1,000	$ 105
Earnings (loss) per share:				
Basic	$ 0.17	$ (0.25)	$ 0.20	$ 0.02
Diluted	$ 0.13	$ (0.25)	$ 0.16	$ 0.02

19. Parent Company Financial Information

Pacific Premier Bancorp Inc. is a California-based bank holding company organized in 1997 as a Delaware corporation and owns 100% of the capital stock of the Bank, its principal operating subsidiary. The Bank was incorporated and commenced operations in 1983. Condensed financial statements of Pacific Premier Bancorp, Inc. only are as follows:

PACIFIC PREMIER BANCORP, INC.
STATEMENTS OF FINANCIAL CONDITION
(Parent company only)

	At December 31, 2009	2008
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 1,581	$ 773
Investment in subsidiaries	77,590	62,350
Deferred income taxes	4,573	4,539
Other assets	326	329
Total Assets	$ 84,070	$ 67,991
Liabilities:		
Subordinated debentures	$ 10,310	$ 10,310
Accrued expenses and other liabilities	258	133
Total Liabilities	10,568	10,443
Total Stockholders' Equity	73,502	57,548
Total Liabilities and Stockholders' Equity	$ 84,070	$ 67,991

PACIFIC PREMIER BANCORP, INC.
STATEMENTS OF OPERATIONS
(Parent company only)

	For the Years Ended December 31, 2009	2008	2007
		(in thousands)	
Income:			
Interest income	$ 23	$ 6	$ 20
	26	76	201

Noninterest income			
Total income	49	82	221
Expense:			
Interest expense	368	649	822
Noninterest expense	642	552	479
Total expense	1,010	1,201	1,301
Loss before income tax provision	(961)	(1,119)	(1,080)
Income tax benefit	(395)	(459)	(411)
Net loss (parent only)	(566)	(660)	(669)
Equity in net earnings of subsidiaries	106	1,368	4,288
Net income (loss)	$ (460)	$ 708	$ 3,619

PACIFIC PREMIER BANCORP, INC.
SUMMARY STATEMENTS OF CASH FLOWS
(Parent company only)

	For the Years Ended December 31,		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		(in thousands)	
Net income (loss)	$ (460)	$ 708	$ 3,619
Adjustments to reconcile net income to cash used in operating activities:			
Share-based compensation expense	271	333	202
Equity in net earnings of subsidiaries	(106)	(1,368)	(4,288)
Increase (decrease) in accrued expenses and other liabilities	126	(130)	(108)
Decrease (increase) in current and deferred taxes	(34)	(41)	73
Decrease (increase) in other assets	3	51	(56)
Net cash used in operating activities	(200)	(447)	(558)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in subsidiaries	(14,000)	-	-

Net cash used in investing activities	(14,000)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend from Bank	-	2,700	-
Proceeds from issuance of common stock, net of issuance cost	15,241		
Repurchase of common stock	(383)	(2,074)	(1,092)
Proceeds from exercise of warrants	150	-	-
Net cash provided by (used in) financing activities	15,008	626	(1,092)
Net Increase (Decrease) In Cash And Cash Equivalents	808	179	(1,650)
Cash And Cash Equivalents, Beginning Of Year	773	594	2,245
Cash And Cash Equivalents, End Of Year	$ 1,581	$ 773	$ 595

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report.

(1) The following financial statements are incorporated by reference from Item 8 hereof:

Independent Auditors' Report.

Consolidated Statements of Financial Condition as of December 31, 2009 and 2008.

Consolidated Statements of Income for the Years Ended December 31, 2009, 2008 and 2007.

Consolidated Statement of Stockholders' Equity and Other Comprehensive Income for the Years Ended December 31, 2009, 2008 and 2007.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2009, 2008 and 2007.

Notes to Consolidated Financial Statements.

(2) All schedules for which provision is made in the applicable accounting regulation of the SEC are omitted because they are not applicable or the required information is included in the consolidated financial statements or related notes thereto.

(3) The following exhibits are filed as part of this Form 10-K/A, and this list includes the Exhibit Index.

Exhibit No.	Description
3.1.0	Certificate of Incorporation of Pacific Premier Bancorp, Inc. (1)
3.1.1	First Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (2)
3.1.2	Second Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (2)
3.1.3	Third Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (2)
3.1.4	Fourth Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (3)
3.2	Bylaws of Pacific Premier Bancorp, Inc., as amended. (1)
4.1	Specimen Stock Certificate of Pacific Premier Bancorp, Inc. (4)
4.2	Form of Warrant to Purchase 1,166,400 Shares of Common Stock of Pacific Premier Bancorp, Inc. (5)
4.3	Indenture from PPBI Trust I. (7)
10.1	2000 Stock Incentive Plan. (6)*
10.2	Employment Agreement between Pacific Premier Bancorp, Inc. and Pacific Premier Bank and Steven Gardner dated December 19, 2007. (10)*
10.3	Employment Agreement between Pacific Premier Bank and Kent Smith dated December 19, 2007. (10)*
10.4	Employment Agreement between Pacific Premier Bank and Eddie Wilcox dated December 19, 2007. (10)*
10.5	Amended and Restated Declaration of Trust from PPBI Trust I. (7)
10.6	Guarantee Agreement from PPBI Trust I. (7)
10.7	Salary Continuation Agreements between Pacific Premier Bank and Steven R. Gardner. (8)*
10.8	Salary Continuation Agreements between Pacific Premier Bank and Kent Smith. (8)*
10.9	Form of Pacific Premier Bancorp, Inc. 2004 Long-Term Incentive Plan agreement. (9)*
10.10	2004 Stock Incentive Plan (12)*
21	Subsidiaries of Pacific Premier Bancorp, Inc. (Reference is made to “Item 1. Business” for the required information.)
23	Consent of Vavrinek, Trine, Day and Co., LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.

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(1) Incorporated by reference from the Registrant’s Form 10-K filed with the SEC on March 31, 2003.
(2) Incorporated by reference from the Registrant’s Form 10-K/A filed with the SEC on August 28, 2003.
(3) Incorporated by reference from the Registrant’s Form 10-Q filed with the SEC on August 14, 2003.
(4) Incorporated by reference from the Registrant’s Registration Statement on Form S-1 (Registration No. 333-20497) filed with the SEC on January 27, 1997.
(5) Incorporated by reference from the Registrant’s Proxy Statement filed with the SEC on December 14, 2001.
(6) Incorporated by reference from the Registrant’s Proxy Statement filed with the SEC on May 1, 2001.
(7) Incorporated by reference from the Registrant’s Form 10-Q filed with the SEC on May 3, 2004.
(8) Incorporated by reference from the Registrant’s Form 8-K filed with the SEC on May 19, 2006.
(9) Incorporated by reference from the Registrant’s Form 10-K filed with the SEC on April 4, 2007.
(10) Incorporated by reference from the Registrant’s Form 8-K filed with the SEC on December 21, 2007.
(11) Incorporated by reference from the Registrant’s Form 10-K filed with the SEC on April 15, 2008 and 10-K/A filed with the SEC on May 9, 2008.
(12) Incorporated by reference from the Registrant’s Proxy Statement filed with the SEC on April 23, 2004.

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PACIFIC PREMIER BANCORP, INC.

By: /s/ Steven R. Gardner
Steven R. Gardner
President and Chief Executive Officer

DATED: July 30, 2010