

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC SECTIONS
354, 356, 358, 368 and 1001.

18 Can any resulting loss be recognized? ▶ NO LOSS CAN BE RECOGNIZED UPON THE EXCHANGE OF THE CSE
COMMON SHARES FOR SHARES OF PACW COMMON STOCK AND CASH. IF A TAXABLE LOSS IS
CALCULATED ON THE DEEMED SALE OF A FRACTIONAL SHARE OF PACW COMMON STOCK DEEMED TO
HAVE BEEN RECEIVED IN THE EXCHANGE, THIS LOSS CAN BE RECOGNIZED.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE TRANSACTION WAS
CONSUMMATED ON APRIL 7, 2014. CONSEQUENTLY, THE REPORTABLE TAX YEAR OF THE CSE
SHAREHOLDERS FOR REPORTING THE TAX EFFECT OF THE SHARE EXCHANGE IS THE TAX YEAR THAT
INCLUDES THE APRIL 7, 2014 DATE. THIS IS THE 2014 CALENDAR YEAR FOR THOSE
SHAREHOLDERS WHO REPORT TAXABLE INCOME ON THE BASIS OF A CALENDAR YEAR.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ _____ Date ▶ 4/11/14

Print your name ▶ JEFF KRUMPOCH Title ▶ SVP & FINANCE MANAGER

Paid Preparer Use Only

Print/Type preparer's name <u>KPMG LLP</u>	Preparer's signature 	Date <u>4/11/14</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P00740672</u>
Firm's name ▶ <u>KPMG LLP</u>	Firm's EIN ▶ <u>13-5565207</u>		Phone no. <u>213-972-4000</u>	
Firm's address ▶ <u>355 S GRAND AVE, STE 2000, LOS ANGELES, CA 90071</u>				

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

PacWest Bancorp
33-0885320
Attachment to Form 8937

REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

Form 8937 Part I, Box 9:

The securities subject to reporting include all shares of PacWest Bancorp ("PACW") common stock issued in exchange for the outstanding common stock of CapitalSource Inc. ("CSE") as a result of the merger of CSE with and into PACW on April 7, 2014.

Form 8937 Part II, Box 14:

The reportable organizational action involves the merger of CSE with and into PACW on April 7, 2014. As a result of this merger, each share of CSE common stock was exchanged for 0.2837 shares of PACW common stock and \$2.47 in cash. To the extent that the exchange would have resulted in the issuance of a fractional share of PACW common stock to a CSE shareholder, a cash payment has been made equal to such fraction multiplied by the average closing price of PacWest common stock as quoted on the NASDAQ Global Select Market, or NASDAQ, over the 15 trading days ending on the trading day immediately preceding the date the merger is consummated.

Form 8937 Part II, Box 15:

The merger of CSE with and into PACW qualifies as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. As a result, each CSE shareholder will recognize a taxable gain, but not a loss, equal to the lesser of:

- The amount of cash received in the exchange; or
- The amount, if any, by which the sum of the cash received plus the fair market value of the shares of PACW common stock received in the exchange (measured at the time of the exchange) exceeds the CSE shareholder's tax basis in the CSE shares surrendered in the exchange.

For purposes of calculating this taxable gain, the amount of cash received in the exchange does not include cash received in lieu of fractional shares of PACW common stock (see discussion of cash received in lieu of fractional shares below).

Gain or loss must be calculated separately for each identifiable block of CSE common shares surrendered in the exchange having a common tax basis. A loss realized on one block of CSE common shares may not be used to offset a gain realized on another block of CSE common shares. Each CSE shareholder is encouraged to consult their own personal tax advisor regarding the determination of this realized gain or loss on the exchange.

Each CSE shareholder is required to determine the tax basis of the shares of PACW stock received in the exchange by performing the following calculations separately for each identifiable block of CSE common shares surrendered in the exchange having a common tax basis:

- Begin with the aggregate tax basis of the CSE common shares surrendered in the exchange
- Add the amount of taxable gain, if any, determined from the above calculation (excluding any gain or loss resulting from the deemed receipt and sale of fractional shares described below)
- Subtract the total amount of cash received (excluding any cash received in lieu of fractional shares described below)
- Subtract the tax basis in any fractional shares of PACW common stock that were deemed to have been received in the exchange and immediately sold (see the treatment of fractional shares described below)

The resulting figure represents the aggregate tax basis of the shares of PACW common stock received in the exchange for that identifiable block of CSE common shares transferred. The tax basis of each individual share of PACW common stock within this identifiable block is determined by dividing this aggregate tax basis by the number of PACW common shares that comprise this identifiable block.

CSE shareholders who receive cash in lieu of a fractional share of PACW common stock are, for purposes of determining the taxability of that cash, deemed to have received the fractional share in the exchange and then as having sold the fractional share for cash. These CSE shareholders will generally recognize a taxable gain or loss equal to the difference between the tax basis of the CSE common shares deemed to have been exchanged for the fractional share and the amount of cash received.

Form 8937 Part II, Box 16:

Refer to the description of the basis calculation in Part II, Box 15 above. April 7, 2014 closing price of a single share of PACW common stock on NASDAQ was \$45.83.