Community Bancorp
Form 10-Q
November 14, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended SEPTEMBER 30, 2005

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______.

Commission File No. 000 51044

COMMUNITY BANCORP

(Exact name of registrant as specified in its charter)

Nevada	**33-0668846**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**
400 S. 4th Street, Suite 215, Las Vegas, NV	**89101**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number: (702) 878-0700

(Former Address)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each issuer s classes of common stock, as of the latest practicable date. As of November 11, 2005, 7,363,362

COMMUNITY BANCORP

Quarterly Report on Form 10-Q

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Certification of CEO Pursuant to Section 302
Certification of CFO Pursuant to Section 302
Certification Pursuant to Section 906

Community Bancorp and Subsidiary

Consolidated Balance Sheets

September 30, 2005 and December 31, 2004 (Unaudited)

	September 30, 2005	December 31, 2004
	(dollars in thousands)	
Assets		
Cash and due from banks	**$ 27,370**	$ 5,328
Federal funds sold	**29,236**	61,926
Cash and cash equivalents	**56,606**	67,254
Securities available for sale	**96,517**	82,083
Securities held to maturity (fair market value approximates $1,654 and $2,041)	**1,606**	1,958
Investment in Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB) and Pacific Coast Bankers Bank (PCBB) stock	**3,744**	2,219
Loans, net of allowance for loan losses of $7,774 and $6,133	**627,574**	395,011
Premises and equipment, net	**15,090**	8,243
Other real estate owned		2,191
Accrued interest receivable	**3,041**	2,003
Deferred tax assets, net	**1,926**	2,112
Bank owned life insurance	**9,571**	9,194
Goodwill	**18,003**	
Core deposit intangible, net of amortization of $63 and $0	**5,268**	
Other assets	**3,633**	1,693
Total assets	**$ 842,579**	$ 573,961
Liabilities and Stockholders Equity		
Deposits:		
Non-interest bearing demand	**$ 176,638**	$ 122,148
Interest bearing:		
Demand	**323,701**	221,542
Savings	**7,794**	5,829
Time, $100,000 or more	**76,575**	60,822
Other time	**94,416**	65,911
Total deposits	**679,124**	476,252
Short term borrowings	**16,000**	350
Long term debt	**3,500**	
Accrued stock appreciation rights	**350**	2,414
Accrued interest payable and other liabilities	**3,377**	1,928
Junior subordinated debt	**36,083**	15,464
	59,310	20,156
Commitments and Contingencies (Note 7)		
Stockholders equity		

Common stock, par value: $0.001; shares authorized: 10,000,000 shares issued: 2005: 7,397,737; 2004: 6,782,048	**7**	7
Additional paid-in capital	**71,141**	51,245
Retained earnings	**33,786**	26,698
Accumulated other comprehensive income (loss)	**(504)**	174
	104,430	78,124
Less cost of treasury stock, 34,375 shares	**(285)**	(285)
Less notes receivable arising from the exercise of common stock options		(286)
Total stockholders equity	**104,145**	77,553
Total liabilities and stockholders equity	**$ 842,579**	$ 573,961

See Notes to Unaudited Consolidated Financial Statements.

Community Bancorp and Subsidiary

Consolidated Statements of Income and Comprehensive Income

For the three months and nine months ended September 30, 2005 and 2004 (Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2005	2004	2005	2004
	(dollars in thousands, except per share data)			
Interest and dividend income:				
Loans, including fees	**$ 11,343**	$ 6,447	**$ 27,067**	$ 19,270
Securities:				
Taxable	**646**	628	**1,889**	1,388
Non-taxable	**207**	221	**627**	662
Federal funds sold	**330**	232	**1,273**	493
Dividends	**35**	25	**87**	54
Total interest and dividend income	**12,561**	7,553	**30,943**	21,867
Interest expense on:				
Deposits	**2,858**	1,483	**6,851**	4,450
Short term borrowings	**176**	1	**185**	44
Long term debt	**12**		**12**	
Junior subordinated debt	**280**	197	**760**	553
	3,326	1,681	**7,808**	5,047
Net interest income	**9,235**	5,872	**23,135**	16,820
Provision for loan losses	**725**	360	**816**	582
Net interest income after provision for loan losses	**8,510**	5,512	**22,319**	16,238
Other income:				
Service charges and other income	**410**	234	**924**	752
Loan brokerage and referral fees	**68**	12	**85**	184
Income from bank owned life insurance	**128**	97	**378**	97
Net gain on sales of loans	**71**	25	**85**	52
Net gain on sales of securities		10		12
	677	378	**1,472**	1,097
Other expenses:				
Salaries, wages and employee benefits	**3,253**	2,167	**8,315**	6,437
Occupancy, equipment & depreciation	**650**	387	**1,377**	1,114
Advertising and public relations	**385**	259	**648**	473
Professional fees	**169**	103	**647**	227
Data processing	**183**	137	**498**	406
Stock appreciation rights	**90**	44	**439**	174
Stationery and supplies	**119**	61	**276**	180

Insurance	**77**	71	**204**	179
Director fees	**38**	31	**161**	136
Telephone and postage	**45**	46	**149**	152
Loan related	**41**	92	**117**	197
Software maintenance	**19**	26	**65**	81
Core deposit intangible amortization	**63**		**63**	
Foreclosed assets, net	**(47)**	12	**(234)**	109
Other	**336**	235	**760**	657
	5,421	3,671	**13,485**	10,522
Income before income taxes	**3,766**	2,219	**10,306**	6,813
Income tax expense	**1,080**	714	**3,218**	2,235
Net income	**$ 2,686**	$ 1,505	**$ 7,088**	$ 4,578
Other comprehensive income:				
Unrealized gain (loss) on securities available for sale	**(202)**	1,053	**(678)**	49
Comprehensive income	**$ 2,484**	$ 2,558	**$ 6,410**	$ 4,627
Earnings per share:				
Basic	**$ 0.38**	$ 0.32	**$ 1.04**	$ 0.98
Diluted	**$ 0.38**	$ 0.31	**$ 1.02**	$ 0.95
Dividends per share (paid in the form of stock)	**$**	$	**$**	$ 0.06

See Notes to Unaudited Consolidated Financial Statements.

Community Bancorp and Subsidiary

Consolidated Statement of Stockholders Equity

For the nine months ended September 30, 2005 (Unaudited)

(dollars in thousands, except share data)

Description	Common Stock Outstanding Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Notes Receivable	Total
Balance, December 31, 2004	6,747,673	$ 7	$ 51,245	$ 26,698	$ 174	$ (285)	$ (286)	$ 77,553
Net income				7,088				7,088
Unrealized holding losses on securities available for sale arising during the period, net of taxes of ($349)					(678)			(678)
Stock options exercised	7,174		51					51
Stock issuance for Bank of Commerce acquisition, net of registration costs of approximately ($160)	608,515		19,845					19,845
Repayment of loans secured by stock							286	286
Balance, September 30, 2005	**7,363,362**	**$ 7**	**$ 71,141**	**$ 33,786**	**$ (504)**	**$ (285)**	**$**	**$ 104,145**

See Notes to Unaudited Consolidated Financial Statements.

Community Bancorp and Subsidiary

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2005 and 2004 (Unaudited)

	2005	2004
	(dollars in thousands)	
Cash Flows from Operating Activities:		
Net income	$ 7,088	$ 4,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	608	540
Amortization of core deposit intangible	63	
(Gain) loss on sale of foreclosed assets	(262)	96
Gain on sale of securities available for sale		(12)
Income from bank owned life insurance	(378)	(97)
Realized gain on sales of loans	(85)	(52)
Proceeds from sales of loans held for sale	1,466	
Originations of loans held for sale	(1,381)	
Deferred taxes	535	
Provision for loan losses	816	582
Tax benefit related to exercise of stock options		95
Net amortization of investment premium and discount	413	527
Increase in accrued interest receivable	(445)	(270)
Increase in other assets	(1,223)	(88)
Increase in accrued interest payable and other liabilities	(828)	(461)
Net cash provided by operating activities	6,387	5,438
Cash Flows from Investing Activities:		
Proceeds from maturities of and principal paydowns on securities held to maturity	352	111
Purchase of securities available for sale	(12,481)	(46,574)
Proceeds from maturities of and principal paydowns on securities available for sale	18,176	16,007
Proceeds from sales of securities available for sale		11,376
Investment in FHLB, FRB and PCBB stock	(703)	(965)
Purchase of premises and equipment	(2,839)	(312)
Proceeds from sale of foreclosed assets	2,453	445
Investment in bank owned life insurance		(9,000)
Net (increase) in loans	(130,254)	(39,048)
Cash paid for Bank of Commerce acquisition, net	(6,357)	
Net cash used in investing activities	(131,653)	(67,960)
Cash Flows from Financing Activities:		
Cash dividends paid for fractional shares		(9)
Net increase (decrease) in short term borrowings	6,150	(10,000)
Net increase in long term borrowings	3,500	
Net increase in deposits	84,631	77,766
Proceeds from issuance of junior subordinated debt	20,000	
Proceeds from repayment of loans secured by stock	286	
Proceeds from exercise of common stock options	51	84
Net cash provided by financing activities	114,618	67,841

Increase (decrease) in cash and cash equivalents	**(10,648)**	5,319
Cash and cash equivalents, beginning of period	**67,254**	36,005
Cash and cash equivalents, end of period	**$ 56,606**	$ 41,324

See Notes to Unaudited Consolidated Financial Statements.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business

Community Bancorp (the Company) is a holding company whose subsidiary, Community Bank of Nevada, is a Nevada state chartered bank that provides a full range of commercial and consumer bank products through nine branches located in the Las Vegas metropolitan area. The Company s business is concentrated in southern Nevada and is subject to the general economic conditions of this area. Segment information is not presented since all of the Company s revenues are attributable to one operating segment. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and general industry practice.

A summary of the significant accounting policies used by Community Bancorp and its subsidiary are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of Community Bancorp and its wholly owned subsidiary, Community Bank of Nevada (the Bank), collectively referred to herein as the Company. Significant intercompany accounts and transactions are eliminated in consolidation.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Interim financial information

The accompanying unaudited consolidated financial statements as of September 30, 2005 and 2004 have been prepared in condensed format, and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The information furnished in these interim statements reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for each respective period presented. Such adjustments are of a normal recurring nature. The results of operation in the interim statements are not necessarily indicative of the results that may be expected for any other quarter or for the full year. The interim financial information should be read in conjunction with the Company s Annual Report on Form 10-K. Condensed financial information as of December 31, 2004 has been presented next to the interim consolidated balance sheet for informational purposes.

Reclassifications

Certain amounts in the September 30, 2004 consolidated income statement were reclassified to conform to the 2005 presentation, with no effect on previously reported net income or stockholders equity.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 2. Merger-related Activity

On May 19, 2005, the Company entered into an Agreement to Merge and Plan of Reorganization (the Agreement) with Bank of Commerce (Commerce), pursuant to which, among other things, (i) Commerce would merge with the Bank, and (ii) the Bank would continue as the wholly-owned subsidiary of the Company. The Company acquired 100% of the stock of Commerce. Subsequent to the merger, the net assets of Commerce were distributed to the Company and the Commerce entity was dissolved.

In accordance with the Agreement, the merger was completed as of the close of business on August 26, 2005. The shareholders of Commerce who elected cash received cash for their shares based on a value of $33.00 per share; those who elected to receive stock in the Company received 1.0039 shares of the Company s common stock for each share of Commerce common stock; and those who elected to receive a combination of the two received the appropriate allocations of the elections made. The amount of cash paid and the Company s common stock issued in the merger were subject to certain allocation procedures designed to ensure that a maximum of 50% of the total consideration paid to holders of Commerce common stock was paid in cash and 50% in the Company s stock.

The transaction was valued at approximately $40,008,000, or $33.00 per share of Commerce common stock, including the fair value of options outstanding (the exchange ratio for stock consideration is 1.0039 shares of the Company s common stock for each Commerce share). The total consideration was paid in 608,515 shares of the Company s stock and approximately $20 million in cash, in accordance with the provisions of the Agreement. There were no material relationships between Commerce, its officers, shareholders or employees and the Company and subsidiaries, its officers, shareholders or employees, other than in respect to the transaction. Funds utilized in the transaction were solely from cash held by the Company. The purpose of the merger is to maximize shareholder value consistent with its fiduciary duties, while at the same time continuing to build a successful and profitable banking franchise.

The merger was accounted for under the purchase method of accounting. Accordingly, the results of operation of Commerce since the date of acquisition are included in the consolidated financial statements. The purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the merger date as summarized below (dollars in thousands).

Estimated fair value of approximately 608,515 shares of the Company s common stock issued:	$ 20,004	50.0%
Cash	20,004	50.0%
Total merger consideration	40,008	
Estimated acquisition costs		
Merger-related compensation and severance	99	
Professional services	363	
Total acquisition costs	462	
Estimated total purchase price	40,470	
Less fair value of Bank of Commerce net assets acquired	17,136	

Less estimated fair value of Core Deposit Intangible	5,331
Estimated goodwill resulting from the Merger	$ 18,003

The allocation of the purchase price may be modified as a result of the following items:

- the actual acquisition costs incurred by the Company, and
- final appraisals, evaluations and estimates of fair value.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 2. Merger-related Activity (continued)

The purchase price allocation is expected to be finalized within one year after completion of the merger.

Approximately $462,000 in costs were incurred in connection with the merger and are included as part of the purchase price of the merger, as set forth above.

In addition to the above transaction costs, the Company expects to incur integration costs of approximately $425,000 before taxes (approximately $280,000 after taxes). These estimated costs are primarily comprised of information technology conversion costs and upgrades and branch improvements. As of September 30, 2005, total integration costs incurred were approximately $38,000 (net of taxes).

As a result of the merger, the Company recorded $5.3 million of core deposit intangibles. As of September 30, 2005, the amortization period for the core deposit intangibles is 7 years. Amortization expense on core deposit intangibles was approximately $63,000 for the three months and nine months ended September 30, 2005. The Company estimates that the amortization expense will be approximately $254,000 for 2005 and $762,000 for years 2006 through 2009. The net book value of the core deposit intangible was $5,268,000 at September 30, 2005.

The cash received from the Bank of Commerce acquisition was $13.6 million.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 2. Merger-related Activity (continued)

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information presents the results of operations of the Company had the merger taken place at January 1, 2005 and January 1, 2004.

	Three months ended September 30, 2005	Nine months ended September 30, 2005
	(dollars in thousands, except share data)	
Net interest income	10,497	28,197
Other operating income	771	1,871
Provision for loan losses	1,045	1,507
Other operating expense	6,676	17,490
Income before income tax provision	3,547	11,071
Income tax provision	1,007	3,479
Net income	2,540	7,592
Earnings per share:		
Basic	0.34	1.03
Diluted	0.34	1.01
Average shares outstanding for basic earnings per share	7,363,362	7,358,565
Average shares outstanding for diluted earnings per share	7,497,773	7,483,041

	Three months ended September 30, 2004	Nine months ended September 30, 2004
	(dollars in thousands, except share data)	
Net interest income	7,435	21,292
Other operating income	513	1,576
Provision for loan losses	526	1,043
Other operating expense	4,958	14,321
Income before income tax provision	2,464	7,504
Income tax provision	797	2,469
Net income	1,667	5,035

Earnings per share:		
Basic	0.31	0.95
Diluted	0.30	0.93
Average shares outstanding for basic earnings per share	5,304,838	5,279,847
Average shares outstanding for diluted earnings per share	5,479,862	5,421,169

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 3. Employee Stock Plans

On May 19, 2005, the stockholders of the Company approved the 2005 Equity Based Compensation Plan (the 2005 Plan). The 2005 Plan authorizes the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units and performance share cash only awards. The 2005 Plan provides for a maximum of fifteen percent (15%) of the Company s outstanding shares as of March 24, 2005, or 1,012,539, and adjusts on each anniversary thereafter to be 15% of the then outstanding number of shares that may be delivered for awards. The maximum number of shares that may be granted as incentive stock options is 800,000.

At September 30, 2005, the Company also has a stock-based compensation plan, which is described more fully in Note 9 of the Annual Report. The Company accounts for the plan under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations. Accordingly, no stock-based employee compensation cost has been recognized, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share had compensation cost for all of the stock-based compensation plans been determined based on the minimum value approach:

	For the three months ended September 30,		For the nine months ended September 30,	
	2005	**2004**	**2005**	**2004**
	(dollars in thousands, except per share data)			
Net income:				
As reported	**$ 2,686**	$ 1,505	**$ 7,088**	$ 4,578
Deduct total stock-based employee compensation expense determined under minimum value method for all awards, net of related tax effects	**(460)**	(23)	**(502)**	(47)
Pro forma	**$ 2,226**	$ 1,482	**$ 6,586**	$ 4,531
Earnings per share:				
As reported				
Basic	**$ 0.38**	$ 0.32	**$ 1.04**	$ 0.98
Diluted	**$ 0.38**	$ 0.31	**$ 1.02**	$ 0.95
Pro forma:				
Basic	**$ 0.32**	$ 0.32	**$ 0.96**	$ 0.97
Diluted	**$ 0.31**	$ 0.30	**$ 0.95**	$ 0.94

The pro forma compensation cost was recognized for the fair value of the stock options granted, which was estimated using the minimum value method. The assumptions used in determining the fair value per optional share of $10.44 for stock options granted in the nine months ended September 30, 2005, were as follows: expected life of seven years, volatility of 20% and risk free interest rate of 3.875%.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 4. Earnings Per Share

Basic earnings per share (EPS) represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding options, and are determined using the treasury stock method.

Earnings per common share have been computed based on the following:

	For the three months ended September 30,	
	2005	**2004**
	(dollars in thousands, except share data)	
Net income	**$ 2,686**	$ 1,505
Average number of common shares outstanding	**6,986,350**	4,696,323
Effect of dilutive options	**134,411**	175,024
Average number of common shares outstanding used to calculate diluted earnings per common share	**7,120,761**	4,871,347
Basic EPS	**$ 0.38**	**$ 0.32**
Diluted EPS	**$ 0.38**	**$ 0.31**

	For the nine months ended September 30,	
	2005	**2004**
	(dollars in thousands, except share data)	
Net income	**$ 7,088**	$ 4,578
Average number of common shares outstanding	**6,830,294**	4,671,332
Effect of dilutive options	**124,476**	141,322
Average number of common shares outstanding used to calculate diluted earnings per common share	**6,954,770**	4,812,654
Basic EPS	**$ 1.04**	**$ 0.98**
Diluted EPS	**$ 1.02**	**$ 0.95**

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 5. Current Accounting Developments

In December 2004, the Financial Accounting Standards Board (FASB) published FASB Statement No. 123 (revised 2004), *Share-Based Payment* (FAS 123(R) or the Statement). FAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. FAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in the Statement.

The Statement is effective at the beginning of the first quarter of 2006 for the Company. As of the effective date, the Company will apply the Statement using a modified version of prospective application. Under that transition method, compensation cost will be recognized for (1) all awards granted after the required effective date and to awards modified, cancelled, or repurchased after that date and (2) the portion of awards granted subsequent to the completion of the Company s initial public offering (IPO) and prior to the effective date for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated for pro forma disclosures under FAS 123(R).

The impact of this Statement on the Company in 2006 and beyond will depend upon various factors, among them being the Company s future compensation strategy. The pro forma compensation costs presented in these and prior financial statements of the Company have been calculated using a minimum value method and may not be indicative of amounts which should be expected in future periods.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 6. Loans

The composition of the Company s loan portfolio as of September 30, 2005 and December 31, 2004 is as follows:

	September 30, 2005	December 31, 2004
	(dollars in thousands)	
Commercial and industrial	**$ 125,148**	$ 59,820
Real estate:		
Commercial	**184,173**	148,411
Residential	**30,283**	24,097
Construction and land development, including raw land of approximately $55,671 for 2005 and $50,157 for 2004	**295,790**	167,154
Consumer and other	**3,391**	3,788
	638,785	403,270
Less:		
Allowance for loan losses	**7,774**	6,133
Net unearned loan fees and discounts	**3,437**	2,126
	$ 627,574	$ 395,011

Impaired and non-accrual loans were $1,570,000 and $1,189,000 as of September 30, 2005, and $916,000 and $966,000 as of December 31, 2004, respectively. Net charge-offs were $108,000 and $164,000 for the nine months ended September 30, 2005 and 2004, respectively. For the three months ended September 30, 2005 and 2004, net charge-offs (recoveries) were $(48,000) and $216,000, respectively.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 7. Commitments and Contingencies

Financial instruments with off-balance-sheet risk

The Company is 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 and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the balance sheets.

The Company s exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for these commitments is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

A summary of the contract amount of the Company s exposure to off-balance-sheet risk as of September 30, 2005 and December 31, 2004 is as follows:

	September 30, 2005	December 31, 2004
	(dollars in thousands)	
Commitments to extend credit, including unsecured commitments of $28,401 for 2005 and $17,136 for 2004	**$ 212,464**	$ 126,550
Credit card commitments, including unsecured amounts of $1,633 for 2005 and $1,441 for 2004	**1,645**	1,471
Standby letters of credit, including unsecured commitments of $230 for 2005 and $1,122 for 2004	**3,124**	1,583
	$ 217,233	$ 129,604

Commitments to extend credit 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 or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management s credit evaluation of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. As of September 30, 2005 the Company has approximately $436,000 reflected in other liabilities for off-balance sheet risk associated with commitments to extend credit.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required as the Company deems necessary. Essentially all letters of credit issued have expiration dates within one year. Upon entering into letters of credit, the Company records the related liability at fair value pursuant to FASB Interpretation 45 (FIN 45). Thereafter, the liability is evaluated pursuant to FASB Statement No. 5 *Accounting for Contingencies*. As of September 30, 2005 the amount of the liability related to guarantees was approximately $11,000.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 7. Commitments and Contingencies (continued)

In connection with standby letters of credit, the Company recognizes the related commitment fee received from the third party as a liability at the inception of the guarantee arrangement pursuant to FIN 45. Commitment fees, where the likelihood of exercise of the commitment is remote, are generally recognized as service fee income on a straight line basis over the commitment period. All other commitment fees are deferred over the entire commitment period and are not recognized as service fee income until the expiration of the commitment period.

Financial instruments with concentrations of credit risk

The Company makes commercial, commercial real estate, residential real estate and consumer loans to customers primarily in southern Nevada. At September 30, 2005, real estate loans accounted for approximately 80% of total loans. Substantially all of these loans are secured by first liens with an initial loan-to-value ratio of generally not more than 75%. The Company s policy for requiring collateral is to obtain collateral whenever it is available or desirable, depending upon the degree of risk that the Company is willing to take. In addition, approximately 5% of total loans are unsecured. The Company s loans are expected to be repaid from cash flow or from proceeds from the sale of selected assets of the borrowers.

A substantial portion of the Company s customers ability to honor their contracts is dependent on the economy in the area.

Lease Commitments

During March of 2005, the Company entered into a month-to-month sublease agreement for its San Diego loan production office. This is an operating lease with an unrelated third party with an initial base rent of $1,400 per month. The lease may be terminated by either party, with not less than thirty days prior written notice.

In June of 2005, the Company entered into a lease agreement for its Phoenix loan production office. This is an operating lease with an unrelated third party with an initial base rent of approximately $1,200 per month. The lease agreement ends on December 31, 2005.

Also in June of 2005, a sixth office was opened at the intersection of Russell Road and Interstate 215 in southwest Las Vegas. The office is leased space for an additional branch, human resources, operations support, internal audit and the real estate lending department. This is an operating lease with an unrelated third party with an initial base rent of approximately $38,000 per month beginning in October 2005. For each year following, the rent will be increased by approximately 2%. The lease expires on October 31, 2015.

As a result of the merger with Commerce, the Company acquired three new branches, of which two are leased spaces. The Sunset branch has approximately 6,000 square feet located in Henderson, NV. This is an operating lease with an unrelated third party with a base rent of $9,533 per month, as of the date of the merger. For each year following, the rent increases based on the cost of living increase for the preceding period based on the average for the United States set forth in the Consumer Price Index for Urban Wage Earners and Clerical Workers for all Items, published by the Bureau of Labor Statistics of the United States Department of Labor (CPI). The lease expires on July 31, 2011.

The Decatur office has 4,814 square feet, located on Decatur Boulevard near Hacienda Avenue in southwest Las Vegas. This is an operating lease with an unrelated third party with a base rent of $12,083 per month, as of the date of the merger. For each year following, the rent increases based on the cost of living increase for the preceding period based on the average CPI. The lease expires on March 31, 2018.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 8. Stock Options and Stock Appreciation Rights

Stock options

In July 2005, the Company granted 55,000 nonqualified stock options and 140,000 incentive stock options with an exercise price equal to the market value of the underlying stock on the grant date of $31.55. The nonqualified stock options vest immediately, and the incentive stock options vest 20% each year over five years. All options expire ten years from the grant date.

Stock appreciation rights

The Company accounts for stock appreciation rights (SAR) pursuant to FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.* The expense related to the Company s SAR plan was approximately $439,000 and $174,000 for the nine months ended September 30, 2005 and 2004, respectively. For the three months ended September 30, 2005 and 2004, the expense related to the SAR plan was $90,000 and $44,000, respectively. The total amount in accrued expenses was $350,000 as of September 30, 2005.

In July 2005, approximately $2,500,000 in accrued stock appreciation rights was paid.

There were no grants of stock appreciation rights relating to the SAR plan during the nine months ended September 30, 2005.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 9. Borrowed Funds

The Company has entered into an agreement under which it can obtain advances from the Federal Home Loan Bank (FHLB). The interest rate charged on advances is determined by the FHLB at the time of the advances. Advances are collateralized by a blanket lien on all loans secured by real estate and all business loans. The agreement can be terminated by the FHLB at any time.

Short-term advances from the FHLB were $16,000,000 and $0 at September 30, 2005 and December 31, 2004, respectively. There were two advances outstanding as of September 30, 2005, one for $15,000,000, with a fixed interest rate of 4.04%, and a maturity date of August 31, 2006, and the other for $1,000,000,with a fixed interest rate of 3.12%, and a maturity date of July 28, 2006. Long-term debt from the FHLB was $3,500,000 and $0 at September 30, 2005 and December 31, 2004, respectively. The long-term debt at September 30, 2005 consisted of one note, with a fixed interest rate of 3.49%, and a maturity of January 10, 2007.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 10. Issuance of Trust Preferred Securities

On September 23, 2005, the Company completed a private placement of $20,619,000 of trust preferred securities (the Securities) through Community Bancorp (NV) Statutory Trust II (the Trust), a statutory trust formed by the Company for that purpose. The proceeds from the sale of the Securities were used by the Trust to purchase $20,619,000 in aggregate principal amount from the Company s fixed/floating rate junior deferrable interest debentures (the Debentures) due in 2035.

The Debentures bear interest at a fixed rate of 5.94% for the first seven years, after which the rate will reset quarterly at the three-month LIBOR rate plus 1.37% per annum, and are redeemable, in whole or in part, without penalty, at the option of the Company after seven years. The interest payments on the Debentures made by the Company will be used to pay the quarterly distributions payable by the Trust to the holders of the Securities.

If the Company elects to defer payments of interest on the Securities by extending the interest distribution period, then the Company may not declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company s capital stock, until such time as all deferred interest is paid.

The proceeds from this offering will provide the capital necessary to continue to grow organically and fund market opportunities. The $20.6 million is included in junior subordinated debt on the consolidated balance sheet of the Company.

Community Bancorp and Subsidiary

Notes to Unaudited Consolidated Financial Statements

Note 11. Quarterly Data (Unaudited)

	(dollars in thousands, except per share data)						
	2005			2004			
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest and dividend income	$ 12,561	$ 9,676	$ 8,706	$ 8,171	$ 7,553	$ 7,255	$ 7,059
Interest expense	3,326	2,306	2,176	1,815	1,681	1,744	1,622
Net interest income	9,235	7,370	6,530	6,356	5,872	5,511	5,437
Provision for loan losses	725	91		340	360		222
Net interest income, after provision for loan losses	8,510	7,279	6,530	6,016	5,512	5,511	5,215
Noninterest income	677	419	376	392	378	350	369
Noninterest expenses (1)	5,421	4,641	3,423	5,424	3,671	3,429	3,422
Income before income taxes	3,766	3,057	3,483	984	2,219	2,432	2,162
Provision for income taxes	1,080	1,037	1,101	141	714	808	713
Net income	$ 2,686	$ 2,020	$ 2,382	$ 843	$ 1,505	$ 1,624	$ 1,449
Earnings per common share:							
Basic	$ 0.38	$ 0.30	$ 0.35	$ 0.16	$ 0.32	$ 0.35	$ 0.31
Diluted	$ 0.38	$ 0.29	$ 0.35	$ 0.16	$ 0.31	$ 0.34	$ 0.31

(1) Fourth quarter of 2004 includes approximately $1.9 million of expense relating to stock appreciation rights. See Note 9 of the Annual Report.

Item 2.

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2004, including the audited financial statements contained therein, filed with the Securities and Exchange Commission. *Unless the context requires otherwise, the terms Company, us, we, and our refers to Community Bancorp on a consolidated basis.*

FORWARD-LOOKING INFORMATION

Certain statements contained in this document, including, without limitation, statements containing the words believes , anticipates , intends , expects , should , and words of similar import, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions in those areas in which we operate, demographic changes, competition, fluctuations in interest rates, changes in business strategy or development plans, changes in governmental regulation, credit quality, the availability of capital to fund the expansion of our business, and other factors referenced in this Report and other filings with the SEC. We disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

EXECUTIVE OVERVIEW

Community Bancorp (the Company) (NASDAQ: CBON), is a Las Vegas-based community bank holding company for Community Bank of Nevada with $842.6 million in total assets.

Our results for third quarter 2005 were impacted by the acquisition of Bank of Commerce, a Henderson-based bank, which, on August 26, 2005, had $145.5 million in tangible assets, $104.1 million in loans and $118.2 million in deposits. Also, the acquisition added three branches to the Company, as well as the addition of one organically.

The Company reported improved financial results driven by the ongoing economic strength in its market area. Net income for the third quarter of 2005 was up 78.5% to $2.7 million compared to $1.5 million for the comparable quarter last year. The asset sensitivity of the balance sheet, loan and deposit growth, and a 20.6% increase in the net interest margin for the quarter were all factors contributing to the growth in earnings.

Non-interest income for the third quarter of 2005 was up 79.1% to $677 thousand compared to the comparable quarter of 2004. This increase consisted of $176 thousand from service charges and other income, $31 thousand in the cash surrender value of bank owned life insurance purchased in July 2004, and an increase in loan brokerage and referral fees of $56 thousand.

Non-interest expense for the third quarter of 2005 increased by 47.7% or $1.8 million to $5.4 million compared to the same quarter in 2004. Expense increases were primarily attributed to increases in salary and employee benefits, increased occupancy costs, an increase in advertising and public relations, increased professional fees and core deposit intangible amortization.

Loans increased a total of $167.7 million in the third quarter of 2005, with $104.1 million contributed as a result of the acquisition of Bank of Commerce. The organic loan growth was primarily in construction and commercial loans. With the hiring of eight new lenders in 2005, we have been able to produce a significant amount of lending opportunities, as represented by third quarter results.

Deposits increased 34.7% during the third quarter of 2005, to $679.1, and were up 42.6% year-to-date compared to the deposit balance of $476.3 million at year end 2004. The merger with Bank of Commerce contributed $118.2 million, or 58.3%, of the growth since year end.

COMMUNITY BANCORP

Selected Consolidated Financial Highlights

	(In thousands, except share data and ratios; Unaudited)					
	Three Months Ended September 30,		%	Nine Months Ended September 30		%
	2005	2004	Change	2005	2004	Change
Income Statement Data						
Interest and dividend income	**12,561**	7,553	66.30%	**30,943**	21,867	41.51%
Interest expense	**3,326**	1,681	97.86%	**7,808**	5,047	54.71%
Net interest income	**9,235**	5,872	57.27%	**23,135**	16,820	37.54%
Loan loss provision	**725**	360	101.39%	**816**	582	40.21%
Net interest income after loan loss provision	**8,510**	5,512	54.39%	**22,319**	16,238	37.45%
Noninterest income	**677**	378	79.10%	**1,472**	1,097	34.18%
Noninterest expense	**5,421**	3,671	47.67%	**13,485**	10,522	28.16%
Income before income taxes	**3,766**	2,219	69.72%	**10,306**	6,813	51.27%
Provision for income taxes	**1,080**	714	51.26%	**3,218**	2,235	43.98%
Net income	**$ 2,686**	$ 1,505	78.47%	**$ 7,088**	$ 4,578	54.83%
Share Data (1)						
Basic earnings per common share	**$ 0.38**	$ 0.32	18.75%	**$ 1.04**	$ 0.98	6.12%
Diluted earnings per common share	**$ 0.38**	$ 0.31	22.58%	**$ 1.02**	$ 0.95	7.37%
Book value per common share	**$ 14.14**	$ 7.83	80.59%	**$ 14.14**	$ 7.83	80.59%
Basic average shares outstanding	**6,986,350**	4,696,323	48.76%	**6,830,294**	4,671,332	46.22%
Fully Diluted average shares outstanding	**7,120,761**	4,871,347	46.18%	**6,954,770**	4,812,654	44.51%
Key Ratios						
Return on average total shareholders equity	**12.09%**	16.90%	-28.46%	**11.39%**	18.10%	-37.06%
Return on average total assets	**1.48%**	1.09%	-35.78%	**1.45%**	1.18%	23.16%
Net interest spread	**4.60%**	4.00%	15.00%	**4.25%**	4.04%	5.20%
Net interest margin (2)	**5.44%**	4.51%	20.62%	**5.02%**	4.55%	10.40%
Total revenue (net int inc + non int inc)	**$ 9,912**	$ 6,250	58.59%	**$ 24,607**	$ 17,917	37.34%
Efficiency ratio (3)	**54.69%**	58.74%	-6.89%	**54.80%**	58.73%	-6.68%
Asset Quality Ratios						
Non-performing loans to total loans (4)				**0.19%**	0.34%	-45.25%
Allowance for loan losses to total loans				**1.22%**	1.50%	-18.87%
Non-performing assets (5)				**$ 1,189**	$ 3,469	-65.71%
Non-performing assets to total assets				**0.14%**	0.65%	-78.21%
Net charge off s to average loans				**0.02%**	0.05%	-60.00%
Capital Ratios						
Average shareholders equity to average assets	**12.27%**	6.47%	89.64%	**12.76%**	6.50%	96.31%
Leverage ratio	**15.44%**	8.86%	74.27%	**15.44%**	8.86%	74.27%
Total risk-based capital ratio	**16.70%**	12.94%	29.06%	**16.70%**	12.94%	29.06%

Notes:

(1) Adjusted to reflect a 5:1 stock split declared in September 2004.
(2) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(3) Efficiency ratio is noninterest expense (excluding loan loss provision) divided by (net interest income + noninterest income).
(4) Nonperforming loans are defined as loans that are past due 90 days or more plus loans placed in non-accrual status and restructured loans.
(5) Nonperforming assets are defined as loans that are past due 90 days or more, nonaccrual loans and other real estate owned.

Total Shares Outstanding as of 9/30/05: 7,363,362

KEY FACTORS IN EVALUATING FINANCIAL CONDITION AND OPERATING PERFORMANCE

As a publicly-traded community bank holding company, we focus on several key factors including:

- Return to our shareholders
- Return on average assets
- Asset quality
- Asset growth
- Operating efficiency

Return to Our Shareholders. Our return to our shareholders is measured in the form of return on average equity, or ROE. Our net income increased 78.5%, to $2.7 million for the quarter ended September 30, 2005 from $1.5 million for the same period in 2004. Improvement in the Company s net interest margin, the asset sensitivity of the balance sheet and loan growth of 35.6% period-over-period were all factors contributing to the strong growth in earnings. Net income for the nine months ended September 30, 2005 increased $2.5 million, or 54.8%, from the same period in 2004. Basic and diluted earnings per share (EPS) for the quarter ended September 30, 2005 were $0.38, up from $0.32 and $0.31 for the quarter ended September 30, 2004. For the nine months ended September 30, 2005, basic and diluted EPS were $1.04 and $1.02, as compared to $0.98 and $0.95 for the same period in 2004. EPS was impacted by the increase in weighted average shares outstanding as a result of our Initial Public Offering (IPO) and issuance of 608,515 shares related to the Bank of Commerce acquisition. In addition, the opening of a new branch impacted ROE for the quarter ended September 30, 2005, decreasing to 12.1% compared to 16.9% for the same period in 2004. For the nine months ended September 30, 2005 and September 30, 2004, the ROE was 11.4% and 18.1%, respectively.

Return on Average Assets. Our return on average assets, or ROA, is a measure we use to compare our performance with other banks and bank holding companies. Our ROA for the quarter ended September 30, 2005 was 1.48% compared to 1.09% for the same period in 2004. For the nine months ended September 30, 2005 and September 30, 2004, the ROA was 1.45% and 1.18%, respectively.

Asset Quality. For all banks and bank holding companies, asset quality has a significant impact on the overall financial condition and results of operations. Asset quality is measured in terms of non-performing loans and assets as a percentage of total loans and total assets, and net charge-offs as a percentage of average loans. These measures are key elements in estimating the future earnings of a company. Non-performing loans totaled $1.2 million as of September 30, 2005, compared to $968 thousand at December 31, 2004 and $1.3 million at September 30, 2004. Non-performing loans as a percentage of total loans decreased to 0.19% as of September 30, 2005, compared to 0.24% at December 31, 2004 and 0.34% at September 30, 2004. Non-performing assets were $1.2 million as of September 30, 2005, compared to $3.2 million at December 31, 2004 and $3.5 million as of September 30, 2004. Non-performing assets as a percent of total assets were 0.14% as of September 30, 2005, compared to 0.55% at December 31, 2004 and 0.65% at September 30, 2004. Net charge-offs to average loans were 0.02% for the nine months ended September 30, 2005, compared to 0.05% as of December 31, 2004 and 0.05% for the nine months ended September 30, 2004.

Asset Growth. As revenues from both net interest income and non-interest income are a function of asset size, the continued growth in assets has a direct impact on increasing net income and EPS. The majority of our assets are loans, and the majority of our liabilities are deposits, therefore the ability to generate loans and

deposits are fundamental to our asset growth. Total assets increased 57.3% to $842.6 million as of September 30, 2005 from $574.0 million as of December 31, 2004 and $535.5 million as of September 30, 2004. Total assets increased 46.8% since December 31, 2004. Total deposits increased to $679.1 million as of September 30, 2005, compared to $476.3 (or 42.6%) as of December 31, 2004 and $481.5 million (or 41.1%) as of September 30, 2004. The acquisition of Bank of Commerce contributed $118.2 million of the growth in deposits. Gross loans increased to $638.8 million as of September 30, 2005, compared to $403.3 million (or 58.4%) as of December 31, 2004 and $388.2 million (or 64.5%) as of September 30, 2004. The acquisition of Bank of Commerce contributed $104.1 million of the loan growth.

Operating Efficiency. Operating efficiency is the measure of how efficiently earnings before taxes are generated as a percentage of revenue. Our efficiency ratio decreased (improved) to 54.7% for the third quarter of 2005 compared to 58.7% for the same period in 2004, due to the increase in revenues exceeding the increase in operating expenses. The efficiency ratio decreased to 54.8% from 58.7% for the nine months ending September 30, 2005 compared to the same period in 2004. Net interest income before provision increased 57.3% to $9.2 million for the three months ended September 30, 2005 and 37.5% to $23.1 million for the nine months ended September 30, 2005, while operating expenses increased 47.7% to $5.4 million and 28.2% to $13.5 million for the same periods as a result of the acquisition of Bank of Commerce and normal increases in operating expenses.

CRITICAL ACCOUNTING POLICIES

Our accounting policies are integral to understanding the financial results reported. Our most complex accounting policies require management s judgment to ascertain the valuation of assets, liabilities, commitments and contingencies. We have established detailed policies and control procedures that are intended to ensure the valuation methods are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of our current accounting policies involving significant management valuation judgments.

Allowance for Loan Losses. The allowance for loan losses represents our best estimate of the probable losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries.

We evaluate our allowance for loan losses quarterly. We believe that the allowance for loan losses, or ALLL, is a critical accounting estimate because it is based upon management s assessment of various factors affecting the collectibility of the loans, including current economic conditions, past credit experience, delinquency status, the value of the underlying collateral, if any, and a continuing review of the portfolio of loans. For a discussion of the allowance and our methodology, see Financial Condition Provision/Allowance for Loan Loss.

Like all financial institutions, we maintain an ALLL based on a number of quantitative and qualitative factors, including levels and trends of past due and non-accrual loans, asset classifications, loan grades, changes in the volume and mix of loans, collateral value, historical loss experiences, peer group loss experiences, size and complexity of individual credits and economic conditions. Provisions for loan losses are provided on both a specific and general basis. Specific allowances are provided for impaired credits for which the expected or anticipated loss is measurable. General valuation allowances are based on a portfolio segmentation based on risk grading, with a further evaluation of various quantitative and qualitative factors noted above.

We incorporate statistics provided by the Federal Deposit Insurance Corporation (FDIC) regarding loss percentages experienced by banks in the western United States, as well as an internal five-year loss history, 25

to establish potential risk based on the type of collateral securing each loan. As an additional comparison, we examine local banks within our peer group to determine the nature and scope of their losses to date. These examinations provide an understanding of the geographic and size trends in the local banking community. Finally, we closely examine each credit graded Special Mention and below to individually assess the appropriate loan loss reserve for a particular credit.

We periodically review the assumptions and formulae by which additions are made to the specific and general valuation allowances for losses in an effort to refine such allowances in light of the current status of the factors described above.

Although we believe the level of the allowance as of September 30, 2005 was adequate to absorb probable losses in the loan portfolio, a decline in local economic, or other factors, could result in increasing losses that cannot be reasonably predicted at this time.

Available for Sale Securities. Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, requires that available-for-sale securities be carried at fair value. We believe this to be a critical accounting estimate in that the fair value of a security is based on quoted market prices or if quoted market prices are not available, fair values are extrapolated from the quoted prices of similar instruments. Management utilizes the services of a reputable third party vendor to assist with the determination of estimated fair values. Adjustments to the available-for-sale securities fair value impact the consolidated financial statements by increasing or decreasing assets and stockholders equity.

Goodwill and Other Intangibles. Net assets of entities acquired in purchase transactions are recorded at fair value at the date of acquisition. The historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on a straight-line basis over the period benefited. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment. The impairment test is performed in two phases. The first step of the Goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including Goodwill. If the fair value of the reporting unit exceeds its carrying amount, Goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit s Goodwill (as defined in SFAS No. 142, *Goodwill and Other Intangible Assets*) with the carrying amount of that Goodwill. An impairment loss is recorded to the extent that the carrying amount of Goodwill exceeds its implied fair value.

Other intangible assets subject to amortization are evaluated for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. An impairment loss will be recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. At September 30, 2005, the core deposit intangible included on the Consolidated Balance Sheet is amortized using an estimated life of 7 years.

RESULTS OF OPERATIONS

The comparability of our financial information is affected by our acquisition of Bank of Commerce. Operating results include the operations of acquired entities from the date of acquisition. We acquired Bank of Commerce on August 26, 2005. For a further discussion of this acquisition, see Item 1 Financial Statements, Note 2 Merger-related Activity.

Net Income. Net Income for the third quarter of 2005 was up 78.5% to $2.7 million compared to $1.5 million for the comparable quarter last year. Net income increased 54.8% to $7.1 million for the nine months ended September 30, 2005 compared to $4.6 million for the nine months ended September 30, 2004. Basic and diluted earnings per share were $0.38 for the third quarter of 2005, which increased from $$0.32 and $0.31 for the like period in 2004. Basic earnings per share were $1.04 and $0.98 for the nine months ended September 20, 2005 and 2004, respectively. Diluted earnings per share were $1.02 and $0.95 for the nine months ended September 30, 2005 and 2004, respectively. ROE was 12.1% for the three months and 11.4% for the nine months ended September 30, 2005, compared to 16.9% and 18.1% for the three and nine months ended September 30, 2004, respectively. The ROA for the third quarter of 2005 was 1.5% compared to 1.1% for the third quarter of 2004, and for nine months ended September 30, 2005, was 1.45% compared to 1.18% for the nine months ended September 30, 2004.

The increase in net income and profitability for the quarter and the nine months ended September 30, 2005 was due to the increases in net interest income and other operating income, partially offset by the increase in other operating expense, as a result of the acquisition of Bank of Commerce and increased loan production. Net interest income increased due to an increase in average interest-earning assets and an increasing net interest margin. Other operating income increased primarily due to increases in service charges and other income, as well as income from bank-owned life insurance. Operating expenses increased primarily as a result of the Company s expansion, including the acquisition of Bank of Commerce. For a further discussion of the acquisition of Bank of Commerce, see Item I Financial Statements, Note 2 Merger-related activity .

Net Interest Income. Net interest income, the Company s largest source of operating income, is derived from interest, dividends and fees received on interest earning assets, less interest expense incurred on interest bearing liabilities. The most significant impact on the Company s net interest income between periods is derived from the interaction of changes in the volume of and rates earned or paid on interest earning assets and interest bearing liabilities (spread). The volume of loans, investment securities and other interest earning assets, compared to the volume of interest bearing deposits and indebtedness, combined with the spread, produces changes in the net interest income between periods.

The following tables present, for the periods indicated, condensed average balance sheet information for the Company, together with interest income and yields earned on average interest earning assets, as well as interest expense and rates paid on average interest bearing liabilities.

	For the three months ended September 30,					
	2005			2004		
	Average Balance	Interest	Average Yield or Cost (7)	Average Balance	Interest	Average Yield or Cost (7)
	(Dollars in thousands)					
Assets						
Interest -earning assets:						
Loans (1) (2) (3)	$ 548,771	$ 11,343	8.27%	$ 354,236	$ 6,447	7.28%
Investment Securities - Taxable	65,983	646	3.92%	72,074	628	3.49%
Investment Securities - Non-taxable (3)	22,002	207	3.76%	23,203	221	3.81%
Federal funds sold	38,084	330	3.47%	68,627	232	1.35%
Other investments (4)	3,742	35	3.74%	2,660	25	3.76%
Total interest-earning assets	678,582	12,561	7.40%	520,800	7,553	5.80%
Non-earning assets:						
Cash and due from banks	20,307			14,595		
Unearned loan fees	(2,859)			(1,827)		
Allowance for loan losses	(6,897)			(5,545)		
Other assets	34,953			22,272		
Total assets	$ 724,086			$ 550,295		
Liabilities and Stockholders Equity						
Interest-bearing Liabilities:						
Deposits						
Interest-bearing demand	$ 25,320	$ 68	1.07%	$ 20,927	$ 25	0.48%
Money Market	261,303	1,649	2.52%	216,062	846	1.57%
Savings	6,382	8	0.50%	6,402	4	0.25%
Time certificates of deposit	141,565	1,133	3.20%	115,199	608	2.11%
Total interest-bearing deposits	434,570	2,858	2.63%	358,590	1,483	1.65%
Short-term borrowings & long term debt	22,521	188	3.34%	0	1	0.00%
Junior subordinated debt	17,237	280	6.50%	15,464	197	5.10%
Total interest-bearing liabilities	474,328	3,326	2.80%	374,054	1,681	1.80%
Non-interest-bearing liabilities						
Demand deposits	156,727			138,342		
Other liabilities	4,151			2,284		
Total liabilities	635,206			514,680		
Stockholders equity	88,880			35,615		
Total liabilities and stockholders equity	$ 724,086			$ 550,295		
Net interest income		$ 9,235			$ 5,872	
Net interest spread (5)			4.60%			4.00%
Net interest margin (6)			5.44%			4.51%

(1) Includes average non-accrual loans of $838 thousand in 2005 and $1.8 million in 2004.

(2) Net loan fees of $1.4 million and $800 thousand are included in the yield computations for 2005 and 2004, respectively.
(3) Yields on loans and securities have not been adjusted to a tax-equivalent basis.
(4) Includes Federal Reserve Bank stock, Federal Home Loan Bank stock and Pacific Coast Bankers Bank stock.
(5) Net interest spread represents the average yield earned on interest earning assets less the average rate paid on interest bearing liabilities.
(6) Net interest margin is computed by dividing net interest income by total average earning assets.
(7) Annualized.

	For the nine months ended September 30,					
	2005			2004		
	Average Balance	Interest	Average Yield or Cost (7)	Average Balance	Interest	Average Yield or Cost (7)
	(Dollars in thousands)					
Assets						
Interest -earning assets:						
Loans (1) (2) (3)	$ 462,164	$ 27,067	7.81%	$ 354,108	$ 19,270	7.26%
Investment Securities - Taxable	65,552	1,889	3.84%	55,575	1,388	3.33%
Investment Securities - Non-taxable (3)	22,288	627	3.75%	23,236	662	3.80%
Federal funds sold	60,304	1,273	2.81%	57,571	493	1.14%
Other investments (4)	3,133	87	3.70%	1,875	54	3.86%
Total interest-earning assets	613,441	30,943	6.73%	492,365	21,867	5.92%
Non-earning assets:						
Cash and due from banks	17,216			14,448		
Unearned loan fees	(2,432)			(1,644)		
Allowance for loan losses	(6,348)			(5,572)		
Other assets	27,501			16,951		
Total assets	$ 649,378			$ 516,548		
Liabilities and Stockholders Equity						
Interest-bearing Liabilities:						
Deposits						
Interest-bearing demand	$ 22,934	$ 161	0.94%	$ 18,885	$ 51	0.36%
Money Market	239,899	4,018	2.23%	185,019	1,994	1.44%
Savings	5,908	22	0.50%	5,996	8	0.18%
Time certificates of deposit	127,620	2,650	2.77%	128,389	2,397	2.49%
Total interest-bearing deposits	396,361	6,851	2.30%	338,289	4,450	1.75%
Short-term borrowings & long term debt	7,811	197	3.36%	4,745	44	1.24%
Junior subordinated debt	16,061	760	6.31%	15,464	553	4.77%
Total interest-bearing liabilities	420,233	7,808	2.48%	358,498	5,047	1.88%
Non-interest-bearing liabilities						
Demand deposits	142,061			122,722		
Other liabilities	4,188			1,632		
Total liabilities	566,482			482,852		
Stockholders equity	82,896			33,696		
Total liabilities and stockholders equity	$ 649,378			$ 516,548		
Net interest income		$ 23,135			$ 16,820	
Net interest spread (5)			4.25%			4.04%
Net interest margin (6)			5.02%			4.55%

(1) Includes average non-accrual loans of $799 thousand in 2005 and $2.8 million in 2004.

(2) Net loan fees of $3.2 million and $2.4 million are included in the yield computations for 2005 and 2004, respectively.
(3) Yields on loans and securities have not been adjusted to a tax-equivalent basis.
(4) Includes Federal Reserve Bank stock, Federal Home Loan Bank stock and Pacific Coast Bankers Bank stock.
(5) Net interest spread represents the average yield earned on interest earning assets less the average rate paid on interest bearing liabilities.
(6) Net interest margin is computed by dividing net interest income by total average earning assets.
(7) Annualized.

Net Interest Income. Net interest income increased 57.3%, for the quarter ended September 30, 2005 and 37.5% for the nine months ended September 30, 2005 as compared to the same periods in 2004, as interest earned on higher loan volumes outweighed the effect of rate increases on loans and a higher cost of funds. During the third quarter of 2005, the yield on earning assets increased to 7.40% for the current quarter, as compared to 6.69% in the immediately preceding quarter and 5.80% a year ago. The cost of total interest-bearing liabilities increased to 2.80% for the current quarter, as compared to 2.38% in the immediately preceding quarter and 1.80% a year ago. The net interest margin ratio increased to 5.44% for the quarter ended September 30, 2005 as compared to 5.09% in the immediately preceding quarter and 4.51% a year ago. The increase in net interest margin is attributed to loan growth and the Federal Reserve s recent rise in short-term rates. The Federal Reserve has increased short-term interest rates six times in 2005.

Primarily as a result of higher loan volume, total interest and dividend income increased $5.0 million (or 66.3%) for the quarter ended September 30, 2005 and $9.1 million (or 41.5%) for the nine month period ending September 30, 2005. Average loans as a percentage of interest-earning assets increased to 80.9% from 74.4% in the immediately preceding quarter and 68.0% a year ago, which was contributed from the Bank of Commerce acquisition and addition of eight lenders in 2005. As a result of increased volumes of interest bearing deposits, in conjunction with increased interest rates, total interest expense increased to $7.8 million (or 54.7%) for the nine months, and $3.3 million (or 97.9%) for the three months, ending September 30, 2005.

The tables below set forth, for the periods indicated, a summary of the changes in interest income and interest expense and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates.

	Three months ended September 30, 2005 compared with 2004			
	Net Change	Rate	Volume	Mix
	(In thousands)			
Loans	$ 4,896	$ 875	$ 3,540	$ 481
Investment Securities- Taxable	18	78	(53)	(7)
Investment Securities- Non-taxable	(14)	(3)	(11)	
Federal funds sold	98	362	(103)	(161)
Other investments	10		10	
Total interest income	5,008	1,312	3,383	313
Interest expense:				
Interest-bearing demand	43	31	5	7
Money Market	803	518	177	108
Savings	4	4		
Time certificates of deposit	525	314	139	72
Total interest-bearing deposits	1,375	867	321	187
Short-term borrowings & long term debt	187			187
Junior subordinated debt	83	54	23	6
Total interest expense	1,645	921	344	380
Net interest income	$ 3,363	$ 391	$ 3,039	$ (67)

	Nine months ended September 30, 2005 compared with 2004			
	Net Change	Rate	Volume	Mix
	(In thousands)			
Loans	$ 7,797	$ 1,469	$ 5,880	$ 448
Investment Securities- Taxable	501	214	249	38
Investment Securities- Non-taxable	(35)	(8)	(27)	
Federal funds sold	780	722	23	35
Other investments	33	(2)	36	(1)
Total interest income	9,076	2,395	6,161	520
Interest expense:				
Interest-bearing demand	110	82	11	17
Money Market	2,024	1,105	591	328
Savings	14	14		
Time certificates of deposit	253	269	(14)	(2)
Total interest-bearing deposits	2,401	1,470	588	343
Short-term borrowings & long term debt	153	76	28	49

Junior subordinated debt	207	179	21	7
Total interest expense	2,761	1,725	637	399
Net interest income	$ 6,315	$ 670	$ 5,524	$ 121

Noninterest Income. Non-interest income increased 79.1% for the three months and 34.2% for the nine months ended September 30, 2005 as compared to the same period in 2004. The increase for both periods was primarily due to an increase in service charges and other income and income from the cash surrender value of bank owned life insurance purchased in July 2004.

Noninterest Expense. Non-interest expense increased 47.7% for the three months, and 28.2% for the nine months, ended September 30, 2005. Expense increases for both periods were primarily attributed to five factors. First, an increase in salary and employee benefits of $1.1 million for the quarter, and $1.9 million year to date, as a result of the hiring of experienced loan officers and members of executive management during 2005. In addition, the impact of four new branches during the quarter, including the new Russell and I-215 branch, and the three newly acquired Bank of Commerce branches, increased occupancy costs by $263 thousand for both the quarter and year-to-date. An increase in advertising and public relations of $126 thousand for the quarter and $175 thousand for the year to date was the third factor. Also, professional fees of $66 thousand for the three months ended, and $420 thousand for the nine months ended, September 30, 2005, in order to ensure compliance with laws and regulations that we are now subject to as a public company. Lastly, the amortization of the core deposit intangible associated with the acquisition was $63 thousand for both the quarter and year to date.

Income Tax Expense. The Company s effective federal income tax rate was 29% and 31% for the three months and nine months ended September 30, 2005, respectively. For the three and nine months ended September 30, 2004, the effective federal income tax rate was 32% and 33%, respectively.

FINANCIAL CONDITION

Loans. Total loans increased $235.5 million, or 58.4%, to $638.8 million as of September 30, 2005 from $403.3 million as of December 31, 2004.

Loans increased 64.5% to $638.8 million from a base of $388.2 million a year ago. Commercial and industrial loans experienced the highest growth within our portfolio, growing from $61.0 million at September 30, 2004, to $125.1 at September 30, 2005, followed by construction loans, which grew from $153.3 million at September 30, 2004, to $295.8 million at September 30, 2005, and then commercial real estates loans, which grew from $143.4 million at September 30, 2004, to $184.2 million at September 30, 2005. Loans as of September 30, 2005, compared to loans as of June 30, 2005, increased by $167.7 million, and of this growth, $104.1 million, or 62.1% is attributed to the acquisition of Bank of Commerce.

The Company s credit quality continued to improve with non-performing loans at just 0.19% of total loans, while net recoveries for the quarter were $48 thousand. The allowance for loan losses was 1.22% of outstanding loans as of September 30, 2005.

Deposits. Total deposits increased $202.9 million, or 42.6%, to $679.1 million as of September 30, 2005, from $476.3 million as of December 31, 2004, with interest bearing demand showing the largest increase, from $221.5 million to $323.7 million, followed by an increase in non-interest bearing demand, which grew from $122.1 million to $176.6 million. Deposits as of September 30, 2005, compared to deposits as of June 30, 2005, increased by $175.1 million, and of this growth, $118.2 million, or 67.5% was contributed by the Bank of Commerce acquisition.

Short Term Borrowings. Borrowings of $16 million as of September 30, 2005 consisted of three Federal Home Loan Bank (FHLB) advances, two of which were made in anticipation of short term funding requirements. The advances mature on July 28, 2006, and August 31, 2006, and bear interest of 3.12% and 4.04%, respectively. The third advance was assumed from the Bank of Commerce acquisition. That borrowing expires on July 28, 2006 and has a balance of $1.0 million.

Long Term Debt. A note for $3.5 million from FHLB was assumed in the Bank of Commerce acquisition. The note matures on January 10, 2007 and bears interest of 3.49%.

Trust Preferred Securities. In September 2005, we closed a $20.0 million private placement of trust-preferred securities to provide capital for continued growth.

ASSET QUALITY

Non-performing Assets. Non-performing assets include loans past due 90 days or more and that are still accruing interest, nonaccrual loans, loans renegotiated in troubled debt restructurings and other real estate owned (OREO).

The following table sets forth information regarding non-performing assets as of the dates indicated:

	September 30, 2005	December 31, 2004
Non-accrual loans, not restructured	1,189	966
Accruing loans past due 90 days or more		2
Restructured loans		
Total non-performing loans (NPLs)	1,189	968
OREO		2,191
Total non-performing assets (NPAs)	1,189	3,159
Selected ratios		
NPLs to total loans	0.19%	0.24%
NPAs to total loans and OREO	0.19%	0.78%
NPAs to total assets	0.14%	0.55%

Non-performing assets decreased $2.0 million, or 62.4%, to $1.2 million as of September 30, 2005, compared to $3.2 million as of December 31, 2004, primarily due to the sale of OREO properties during the nine months ended September 30, 2005.

Provision/Allowance for Loan Losses. The Company performs a quarterly assessment of the risks inherent in its loan portfolio, as well as a detailed review of each significant asset with identified weaknesses. Based on the most recent analysis of the allowance for loan losses and a thorough review by Segmentation, Risk Grading, Peer Group, and Economic Conditions, and considering the mitigating factors of each method, it is believed that the Segmentation Methodology more accurately reflects embedded risks inherent in the loan portfolio for the most recent quarter end. In light of this evaluation a provision of $816 thousand was recorded for the nine months ending September 30, 2005. The allowance for loan losses was $7.8 million, or 1.22% of total loans, as of September 30, 2005 as compared to $5.8 million, or 1.50% of total loans, at September 30, 2004.

The following table sets forth information regarding the Company s allowance for loan losses as of and for the periods indicated.

	At or for the three months ended September 30,		At or for the nine months ended September 30,	
	2005	2004	2005	2004
Allowance for loan losses:				
Beginning balance	$ 6,068	$ 5,683	$ 6,133	$ 5,409
Loans charged off during period:				
Commercial		231	180	231
Construction		1		1
Commercial real estate				
Residential real estate				
Consumer and other	19	3	37	15
Total	19	235	217	247
Recoveries:				
Commercial	67	18	109	19
Construction		1		1
Commercial real estate				
Residential real estate				63
Consumer and other				
Total	67	19	109	83
Net loans and leases charged off (recovered)	(48)	216	108	164
Provision for loan losses	725	360	816	582
Allowance resulting from acquisition	933		933	
Ending balance	$ 7,774	$ 5,827	$ 7,774	$ 5,827
Gross loans	$ 638,785	$ 388,247	$ 638,785	$ 388,247
Average loans	548,771	354,236	462,164	354,108
Non-performing loans	563	1,306	1,189	1,306
Selected ratios:				
Net charge-offs to average loans	-0.01%	0.06%	0.02%	0.05%
Provision for loan losses to average loans	0.13%	0.10%	0.18%	0.16%
Allowance for loan losses to loans outstanding at end of period	1.22%	1.50%	1.22%	1.50%
Allowance for loan losses to non- performing loans	1380.8%	446.2%	653.8%	446.2%

CAPITAL RESOURCES

The Company s total stockholder s equity at September 30, 2005 was $104.1 million, an increase of $26.6 million from December 31, 2004. The increase resulted from issuance of stock in the Bank of Commerce acquisition and earnings retention that was partially offset by unrealized holding losses on available for sale investment securities. At September 30, 2005, the Company and its bank subsidiary each exceeded the well-capitalized requirements issued by the Federal Reserve Board.

LIQUIDITY MANAGEMENT

The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors and regulators. Our liquidity, represented by cash and due from banks, federal funds sold and available-for-sale securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available at all times, we devote resources to projecting on a monthly basis the amount of funds that will be required and maintain relationships with a diversified customer base so funds are accessible. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets. We have borrowing lines at correspondent banks totaling $19.0 million. In addition, our total borrowing capacity at the FHLB as of September 30, 2005 was $80.8 million which includes $72.6 million under the FHLB Blanket Lien Program and $8.2 million in securities pledged to the FHLB. As of September 30, 2005 we also had $3.6 million securities pledged to the FRB Discount window. As of September 30, 2005 we had $58.8 million in securities available to be sold or pledged to the FHLB and/or FRB Discount Window. Based on our short term funding needs, an FHLB advance was received on August 31, 2005 for $15.0 million, with a maturity date of August 31, 2006. An assumption of an FHLB advance from Bank of Commerce added another $1.0 million, which is due on July 28, 2006.

We have a formal liquidity policy, and in the opinion of management, our liquid assets are considered adequate to meet our cash flow needs for loan funding and deposit cash withdrawal for the next 60-90 days. At September 30, 2005, we had $153.1 million in liquid assets comprised of $56.6 million in cash and cash equivalents (including fed funds sold of $29.2 million) and $96.5 million in available for sale securities.

On a long term basis, our liquidity will be met by changing the relative distribution of our asset portfolios, i.e., reducing investment or loan volumes, or selling or encumbering assets. Further, we will increase liquidity by soliciting higher levels of deposit accounts through promotional activities and/or borrowing from our correspondent banks as well as the Federal Home Loan Bank of San Francisco. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. All of these needs can currently be met by cash flows from investment payments and maturities, and investment sales if the need arises. With the acquisition of Bank of Commerce, a note for $3.5 million was assumed, which matures on January 10, 2007.

Our liquidity is comprised of three primary classifications: cash flows from operating activities; cash flows used in investing activities; and cash flows provided by financing activities. Net cash provided by operating activities has consisted primarily of net income adjusted for changes in certain other asset and liability accounts and certain non-cash income and expense items such as the loan loss provision, investment and other amortizations and depreciation. At September 30, 2005 net cash provided by operating activities was $6.4 million, compared to net cash provided by operating activities of $5.4 million for the same period in 2004.

Our primary investing activities are the origination of real estate, commercial and consumer loans and purchase and sale of securities. The main contribution of the net cash in investing activities has been influenced by our loan activity. The net increase in loans for the periods ended September 30, 2005 and 2004, were $130.3 million and $39.0 million, respectively.

Net cash used in all investing activities for the periods ended September 30, 2005 and 2004 was $131.7 million and $68.0 million, respectively. At September 30, 2005 we had outstanding loan commitments of $214.1 million and outstanding letters of credit of $3.1 million. We anticipate that we will have sufficient funds available to meet current loan commitments.

Net cash provided by financing activities for the periods ended September 30, 2005 and 2004 was $114.6 million and $67.8 million, respectively. These amounts consisted of a net increase in deposits for each respective period and proceeds from the issuance of junior subordinated debt of $20.0 million in the third quarter of 2005.

Item 3.

Quantitative and Qualitative Disclosures

About Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company s market risk arises principally from interest rate risk in lending, deposit and borrowing activities. Management actively monitors and manages its interest rate risk exposure. Management considers interest rate risk to be a significant market risk, which could have the largest material effect on the Company s financial condition and results of operations.

There has not been any material change in the market risk disclosure contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

Item. 4

Controls and Procedures

As of the end of the period covered by this report, the Company s management, including the Chief Executive Officer and Chief Financial Officer, evaluated the Company s disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective. There were no significant changes in the Company s internal controls over financial reporting that occurred during the quarter ending September 30, 2005 that have materially affected or are reasonably likely to materially affect the Company s internal control over financial reporting.

In designing and evaluating disclosure controls and procedures, the Company s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurances of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in legal proceedings as described in the Company s Annual Report on Form 10-K for the year ended December 31, 2004.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibits	
31.1	Section 13a-14(a) Certification

31.2	Section 13a-14(a) Certification
32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company s Chief Executive Officer and Chief Financial Officer (attached as an exhibit and incorporated herein by reference).

(SIGNATURES)

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Community Bancorp
(Registrant)

Date: November 14, 2005

/s/ Edward M. Jamison

Edward M. Jamison
President and Chief Executive Officer

Date: November 14, 2005

/s/ Cathy Robinson

Cathy Robinson
Executive Vice President, Chief Financial Officer