

Community Bancorp  
Form S-4/A  
August 31, 2006  
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As filed with the Securities and Exchange Commission on August 31, 2006

Registration No: 333-136746

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Amendment No. 1**

to

**FORM S-4**

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

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**COMMUNITY BANCORP**

(exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

6021  
(Primary Standard  
Industrial Classification Code)  
400 South 4<sup>th</sup> Street, Suite 215

Las Vegas, Nevada 89101

(702) 878-0700

01-0668846  
(I.R.S. Employer  
Identification No.)

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(Address, including zip code and telephone number, including area code, of registrant's principal and executive offices)

**Edward M. Jamison**

**Community Bancorp**

**Chairman, President and Chief Executive Officer**

**400 South 4<sup>th</sup> Street, Suite 215**

**Las Vegas, Nevada 89101**

**(702) 878-0700**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

*copies to:*

**John F. Stuart, Esq.**

**Stephen M. Klein, Esq.**

**Kenneth E. Moore, Esq.**

**William E. Bartholdt, Esq.**

**Reitner, Stuart & Moore**

**Graham & Dunn, PC**

**1319 Marsh Street**

**Pier 70**

**San Luis Obispo, CA 93401**

**2801 Alaskan Way ~ Suite 300**

**Seattle, WA 98121-1128**

**Approximate date of commencement of proposed sale to the public:**

As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

**To the Stockholders of Community Bancorp and Valley Bancorp:**

The boards of directors of Valley Bancorp ( Valley ) and Community Bancorp ( Community ) have approved the merger of Valley into Community and Valley Bank, the subsidiary of Valley, into Community Bank of Nevada, the subsidiary of Community.

In the proposed transaction, stockholders of Valley will have the election to receive shares of common stock of Community, cash or a combination in exchange for their shares of Valley stock, subject to certain proration provisions. Stockholders of Valley will receive either \$46.00 in cash or \$46.00 worth of Community common stock for each share of Valley common stock they own if the average closing price for Community's stock for the twenty trading days ending three days prior to closing is valued between \$28.26 and \$34.54. If Community's twenty-day average price is below \$28.26 or above \$34.54, the per share value to be received by Valley stockholders and the percentages of cash and stock will vary as more fully described in the Agreement to Merge and Plan of Reorganization. The actual number of shares of Community common stock you receive for each share of Valley common stock will be determined by dividing \$46.00, or such adjusted per share amount, by the average closing price of Community common stock over the twenty trading days three trading days prior to the close of the merger. Our agreement provides that 75% of the total consideration paid in the transaction must be in Community common stock and 25% in cash, subject to adjustment if Community's average closing price is higher or lower than \$34.54 or 28.26, respectively.

We expect the transaction to be tax-free to Valley's stockholders who receive only Community common stock. Cash paid in lieu of fractional shares and cash paid to those stockholders for their Valley stock will be taxable. Upon completion of the merger, we expect that the stockholders of Valley will own approximately 31% of the outstanding shares of Community.

Valley common stock is listed on the NASDAQ Global Market under the symbol VLLY. Community common stock is listed on the NASDAQ Global Market under the symbol CBON. On August 29, 2006, Valley common stock closed at \$44.72 per share and Community common stock closed at \$34.00 per share.

Both companies will hold a special stockholders' meeting at which each company's respective stockholders will be asked to approve the proposed merger, including the merger agreement. In addition, Community's stockholders will be asked to approve an amendment to Community's articles of incorporation increasing the number of authorized shares of common stock. Information about both special meetings is contained in this joint proxy statement prospectus. **In particular, see Risk Factors beginning on page 18.** You are urged to read this document carefully and in its entirety.

**Whether or not you plan to attend your company's meeting, please vote as soon as possible to make sure that your shares are represented at your meeting. If you do not vote, it will have the same effect as voting against the merger.**

Edward M. Jamison  
Chairman, President and Chief Executive Officer  
Community Bancorp

Barry L. Hulin  
President and Chief Executive Officer  
Valley Bancorp

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR BANK REGULATORY AGENCY HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER OR DETERMINED IF THIS JOINT PROXY STATEMENT-PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF ANY BANK SUBSIDIARY OF COMMUNITY, AND THEY ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.**

This joint proxy statement prospectus is dated September 5, 2006 and is first being mailed to stockholders on or about September 6, 2006.

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**Sources of Additional Information**

This document incorporates important business and financial information about Community and Valley from documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain documents related to Community and Valley that are incorporated by reference in this document, without charge, through the website of the Securities and Exchange Commission, or SEC, at <http://www.sec.gov>, through the respective companies' website listed below, or by requesting them in writing or by telephone from the appropriate company.

Community Bancorp  
Attn: Investor Relations  
400 S. 4<sup>th</sup> Street, Suite 215  
Las Vegas, Nevada 89101  
[www.communitybanknv.com](http://www.communitybanknv.com)  
Phone: (702) 878-0700

Valley Bancorp  
Attn: Investor Relations  
1300 S. Jones Blvd.  
Las Vegas, Nevada 89146  
[www.valleybancorp.com](http://www.valleybancorp.com)  
Phone: (702) 821-4114

(All website addresses given in this document are for information only and are not intended to be an active link or to incorporate any website information into this document.)

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this document.

**In order to receive timely delivery of requested documents in advance of your meeting, you should make your request no later than September 15, 2006.**

All information contained in this joint proxy statement-prospectus with respect to Community has been supplied by Community. All information contained in this joint proxy statement-prospectus with respect to Valley has been supplied by Valley.

You should rely only on the information provided or incorporated by reference in this joint proxy statement-prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this joint proxy statement-prospectus is accurate as of any date other than the date on the front of the document. This joint proxy statement-prospectus does not constitute an offer to sell or a solicitation of any offer to buy any securities, or the solicitation of a proxy in any jurisdiction in which, or to any person to whom, it is unlawful.

**See Where You Can Find More Information beginning on page 76.**

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400 S. 4<sup>th</sup> Street, Suite 215

Las Vegas, Nevada 89101

**Notice of Special Meeting of Community Bancorp**

**Date: October 9, 2006**

**Time: 12:00 p.m.**

**Place: 400 S. 4<sup>th</sup> Street, Suite 110, Las Vegas, Nevada**

To Community Bancorp Stockholders:

We are pleased to notify you of, and invite you to, a special meeting of stockholders.

At the meeting you will be asked to vote on the following matters:

Proposal to approve the merger pursuant to which Valley Bancorp will be merged into Community Bancorp, under the terms of the Agreement to Merge and Plan of Reorganization dated as of June 28, 2006, by and among Community Bancorp and Valley Bancorp.

Proposal to approve an amendment to the Articles of Incorporation increasing the authorized number of shares of common stock from 10,000,000 to 30,000,000.

Only stockholders of record at the close of business on September 5, 2006 may vote at the meeting.

Pursuant to Nevada law, Community Bancorp stockholders are not entitled to dissenter's rights. Further discussion of such law is contained in the attached joint proxy statement/prospectus under the caption "The Merger Dissenters' Rights."

Your vote is important. Please complete, sign, date and return your proxy card in the enclosed envelope, whether or not you plan to attend the meeting.

If you would like to attend the Community Bancorp special meeting and your shares are held by a broker, bank or other nominee, you must bring to the meeting a recent brokerage statement or a letter from the nominee confirming your beneficial ownership of the shares. You must also bring a form of personal identification. In order to vote your shares at the Community Bancorp special meeting, you must obtain from the nominee a proxy issued in your name.

By order of the Board of Directors

/s/ CATHY ROBINSON  
Cathy Robinson, Secretary

September 5, 2006

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1300 S. Jones Blvd.

Las Vegas, Nevada 89146

**Notice of Special Meeting of Valley Bancorp**

**Date: October 6, 2006**

**Time: 8:00 a.m.**

**Place: 1300 S. Jones Blvd., Las Vegas, Nevada**

To Valley Bancorp Stockholders:

We are pleased to notify you of, and invite you to, a special meeting of stockholders.

At the meeting you will be asked to vote on the following matters:

Proposal to approve the merger pursuant to which Valley Bancorp will be merged into Community Bancorp, under the terms of the Agreement to Merge and Plan of Reorganization dated as of June 28, 2006, by and among Community Bancorp and Valley Bancorp. Only stockholders of record at the close of business on August 21, 2006 may vote at the meeting.

Pursuant to Nevada law, Valley Bancorp stockholders are not entitled to dissenter's rights. Further discussion of such law is contained in the attached joint proxy statement/prospectus under the caption "The Merger - Dissenters' Rights."

Your vote is important. Please complete, sign, date and return your proxy card in the enclosed envelope, whether or not you plan to attend the meeting.

If you would like to attend the Valley Bancorp special meeting and your shares are held by a broker, bank or other nominee, you must bring to the meeting a recent brokerage statement or a letter from the nominee confirming your beneficial ownership of the shares. You must also bring a form of personal identification. In order to vote your shares at the Valley Bancorp special meeting, you must obtain from the nominee a proxy issued in your name.

By order of the Board of Directors

/s/ DICK HOLTZCLAW  
Dick Holtzclaw, Secretary

September 5, 2006

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**QUESTIONS AND ANSWERS ABOUT VOTING**

**Q: Why have you sent me this document?**

A: This document is being delivered to you because it is serving as both a joint proxy statement for Valley Bancorp ( Valley ) and Community Bancorp ( Community ) and a prospectus of Community. It is a joint proxy statement because it is being used by both the Valley and Community boards of directors to solicit the proxies of their respective stockholders. It is a prospectus because Community is offering shares of its common stock in exchange for shares of Valley in the merger described below.

This joint proxy statement prospectus contains important information regarding the proposed merger, as well as information about Community and Valley. It also contains important information about what each board of directors and management considered when evaluating this proposed merger. Valley and Community both urge you to read this joint proxy statement prospectus carefully, including its appendices.

**Q: What is happening in this merger?**

A: Valley is being merged with and into Community, and Valley Bank, the wholly-owned subsidiary of Valley, is being merged with and into Community Bank of Nevada, the wholly-owned subsidiary of Community. As a result of such mergers, Valley and Valley Bank will both cease to exist. Both mergers are governed by the Agreement to Merge and Plan of Reorganization dated June 28, 2006 (the merger agreement ). A copy of the merger agreement is attached as Appendix A.

**Q: Why is the merger proposed?**

A: Valley and Community are proposing the merger because their respective boards of directors concluded that the merger is in the best interest of their respective stockholders. Valley believes that the merger affords a fair price, enhanced liquidity, and an opportunity for the combined companies to offer customers a broader array of services and products. Community believes the merger provides an opportunity to substantially increase the value of its franchise at a fair price to its stockholders.

**Q: What are the Valley stockholders being asked to approve?**

A: Valley stockholders are being asked to approve the merger and the merger agreement, which approval must be obtained before the merger can be closed.

**Q: What are the Community stockholders being asked to approve?**

A: Community stockholders are being asked to approve the merger and the merger agreement, which approval must be obtained before the merger can be closed. In addition, Community stockholders are being asked to approve an amendment to the company's articles of incorporation increasing the number of authorized shares of common stock to 30,000,000 from the current 10,000,000 authorized.

**Q: What should I do now?**



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A: Simply indicate your vote on your proxy card and then sign and mail your proxy card in the enclosed return envelope in time to be represented at your respective stockholder's meeting. **If you are a Valley stockholder do not send your Valley stock certificates in the envelope provided for returning your proxy card. The stock certificates should only be forwarded to the exchange agent with the letter of transmittal form which will be mailed to you separately.**

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: Your broker will vote your shares for you only if you provide instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you fail to instruct your broker how to vote your shares, your broker may not vote your shares and the effect will be the same as a vote against the merger.

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**Q: What happens if I don't vote?**

A: If you fail to respond, your shares will not be counted to help establish a quorum at your company's special meeting. Not voting also has the same effect as voting against the merger.

**Q: Can I change my vote after I have mailed my signed proxy card?**

A: Yes. You may change your vote at any time before your proxy is voted at your company's special meeting. If your shares are held in your name you may do this in one of three ways:

Send a written notice to the Secretary of your company stating that you are revoking your proxy.

Complete and submit a new proxy card bearing a later date.

Attend the special meeting and vote in person (but only if you tell the Secretary of your company before the voting begins that you want to cancel your proxy and vote in person). Simply attending the meeting, however, will not revoke your proxy. If you choose either of the first two methods, you must submit your notice of revocation or your new proxy card to your company at the address at the top of your company's notice of special meeting.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote or to vote at the annual meeting.

**Q: What is the vote needed to approve the merger proposal?**

A: Approval of the merger proposal requires the affirmative vote of the holders of at least a majority of the shares of Valley and Community common stock, respectively, issued and outstanding on the respective record date of each company.

**Q: What is the vote needed to approve the proposed amendment to Community's articles of incorporation?**

A: Approval of the proposed amendment to Community's articles of incorporation requires the affirmative vote of the holders of at least a majority of the shares of Community common stock issued and outstanding on the record date.

**Q: I own shares of both Community and Valley common stock. Should I only vote once?**

A: No. If you own shares of both companies, you will receive separate proxy cards for each meeting. It is important that you vote at both meetings, so complete, sign, date and return your Valley proxy card as instructed and complete, sign, date and return your Community proxy card as instructed.

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**Q: Who can help answer my questions?**

A: If you have more questions about the merger or the special meeting, you should contact:

***Valley Bancorp***

Mr. Barry L. Hulin  
President and Chief Executive Officer  
1300 S. Jones Blvd.  
Las Vegas, Nevada 89146  
(702) 821-4110

***Community Bancorp***

Mr. Edward M. Jamison  
Chairman, President & Chief Executive Officer  
400 S. 4th Street, Suite 215  
Las Vegas, Nevada 89101  
(702) 878-0700

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**SUMMARY**

This brief summary, together with the Questions and Answers on the preceding pages, highlight selected information from the joint proxy statement prospectus. It does not contain all of the information that is important to you. We urge you to read carefully the entire joint proxy statement prospectus and the other documents that are incorporated herein to understand fully the merger. See Where You Can Find More Information beginning on page 76. Unless we have stated otherwise, all references in this document to Community are to Community Bancorp; all references to Valley are to Valley Bancorp; all references to the merger agreement are to the Agreement to Merge and Plan of Reorganization by and between Community and Valley, dated as of June 28, 2006, a copy of which is attached as Appendix A to this document; all references to the merger are to the merger between Community and Valley; and all references to the bank merger are to the merger between Community Bank of Nevada and Valley Bank. Each item in this summary contains a page reference directing you to a more complete description of that item. References to we, our and us in this summary mean Community and Valley together.

**The Companies (Pages 59-60)**

*Community Bancorp*

400 S. 4<sup>th</sup> Street, Suite 215

Las Vegas, Nevada 89101

(702) 878-0700

Community's principal business is to serve as a holding company for its bank subsidiary, Community Bank of Nevada. Community Bank of Nevada is a Nevada state chartered commercial bank headquartered in Las Vegas, Nevada and focuses primarily on community banking by providing banking services including commercial, real estate and SBA loans to small- and medium-sized businesses. Community Bank of Nevada serves Clark County and the greater Las Vegas metropolitan area with nine branches in Southern Nevada. Community Bank of Nevada also maintains two loan production offices; one in Phoenix, Arizona, and one in San Diego, California.

As of June 30, 2006, Community had total assets of \$1.0 billion, net loans of approximately \$793.6 million, total deposits of approximately \$793.4 million and total stockholders' equity of approximately \$114.2 million. Community had 179 active full-time equivalent employees on June 30, 2006.

On July 20, 2006, Community announced it had signed a definitive agreement to acquire all of the outstanding shares of Cactus Commerce Bank, an Arizona state chartered bank, for \$13.3 million. The acquisition is structured as a direct share purchase from the stockholders of Cactus Commerce Bank, and the consideration will be paid entirely in cash. As a result of the transaction, Cactus Commerce Bank will become a wholly-owned subsidiary of Community, which will become a two bank holding company. At June 30, 2006, Cactus Commerce Bank had total assets of \$41.6 million, net loans of \$31.1 million, total deposits of \$36.0 million, and total stockholder's equity of \$4.3 million. Cactus Commerce Bank currently operates out of its headquarters office in Glendale, Arizona, and is in the process of opening a new branch in Fountain Hills, Arizona. Community expects the acquisition of Cactus Commerce Bank to close late in the third quarter or early in the fourth quarter of 2006. (See Information About Community Recent Developments on page 59.)

*Valley Bancorp*

1300 S. Jones Blvd.

Las Vegas, Nevada 89146

(702) 821-4100

Valley's principal business is to serve as a holding company for its banking subsidiary, Valley Bank. Valley Bank is a Nevada state chartered commercial bank headquartered in Las Vegas, Nevada and focuses primarily on



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community banking by providing commercial banking services including commercial and real estate loans to small- and medium-sized businesses. Valley serves Clark County and Nye County with five community banking offices.

As of June 30, 2006, Valley had total assets of approximately \$440.7 million, net loans of approximately \$328.3 million, total deposits of approximately \$377.5 million and total stockholders' equity of approximately \$45.4 million. Valley had 69 active full time equivalent employees on June 30, 2006.

**The Merger (Page 28 and Appendix A)**

We propose a merger in which Valley will merge with and into Community. Immediately thereafter, Valley Bank, a wholly owned subsidiary of Valley, will merge with and into Community Bank of Nevada, a wholly owned subsidiary of Community. As a result of the merger, Valley will cease to exist as a separate corporation. Provided that the average closing price of Community's common stock during the twenty trading days ending three days before the closing (which we refer to as the Community average closing price) is between \$28.26 and \$34.54 when we complete the merger, Valley stockholders will receive \$46.00 for each share of Valley common stock they own, subject to possible adjustment as described below. Subject to the requirements on the amount of Community common stock issued in the merger discussed below, Valley stockholders will be given the opportunity to elect to receive cash, Community common stock, or a combination in exchange for their shares in Valley. If you elect and/or receive Community common stock the number of shares you will receive will be determined by dividing \$46.00 (or the adjusted per share consideration discussed below) by the Community average closing price. The merger agreement provides that 75% of the total consideration issued in the merger will be Community common stock if the Community average closing price is between \$28.26 and \$34.54. If the Community average closing price is outside that range, the merger agreement provides that \$32,520,632 of the total consideration will be paid in cash, and the balance in Community common stock.

The \$46.00 per share consideration will be adjusted if the Community average closing price is greater than \$34.54 or less than \$28.26. If the Community average closing price is greater than \$34.54 per share, then the per share consideration will be calculated by multiplying 0.9988 by the Community average closing price and then adding \$11.50. On the other hand, if the Community average closing price is less than \$28.26 per share, then the per share consideration will be calculated by multiplying 1.2208 by the Community average closing price and then adding \$11.50. In addition, Valley may elect to terminate the merger agreement if the Community average closing price declines 17.5% from \$31.40, and such decline is not proportionate to any decline in the NASDAQ Bank Index over the same measuring period, subject, however, to Community's right to reinstate the agreement with a fixed price of \$43.13, in cash or Community common stock, for each share of Valley.

The following table sets forth historical per share market price data for Community and Valley common stock based on the last sale price on:

June 27, 2006, the last trading day before public announcement of the merger, and

August 29, 2006, the most recent date before the mailing of this joint proxy statement prospectus.

	Historical Market Price		Valley Equivalent
	Community	Valley	Pro Forma Market Value
June 27, 2006	\$ 30.29	\$ 38.43	\$ 46.00 <sup>1</sup>
August 29, 2006	\$ 34.00	\$ 44.72	\$ 46.00 <sup>1</sup>

(1) Using a \$46.00 per share consideration amount based on Community's closing price being within the range from \$28.26 to \$34.54.

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Community cannot assure you that actual stock prices for its common stock will be equal to or greater than the prices shown in the table at the time of the merger or at any time after the completion of the merger. After the merger, there will be no further trading or a public market for Valley common stock. We urge you to obtain current market quotations for Community.

You should read and understand the section entitled "The Merger Consideration to be paid to Valley Stockholders," beginning on page 47 of this document.

The closing date will occur as soon as practicable after (i) the satisfaction or waiver of all conditions in the merger agreement, which are summarized below beginning on page 54, and (ii) receipt of approval of all required regulatory agencies. However, the closing date may be set on any other date on which Community and Valley mutually agree.

### **Valley to Hold Special Meeting (Pages 26 - 27)**

*Date, Time and Place.* Valley's special meeting of stockholders will be held at 8:00 a.m. on October 6, 2006, at 1300 S. Jones Blvd., Las Vegas, Nevada.

*Purpose of the Special Meeting.* At this special meeting, Valley's stockholders will be asked to approve the merger and the merger agreement.

*Record Date; Stockholders Entitled to Vote.* You are entitled to vote at the Valley special meeting if you owned Valley common stock as of the record date, August 21, 2006. As of that date, there were 2,827,881 shares of Valley outstanding, held by 886 stockholders of record. Each holder of Valley common stock is entitled to one vote per share on all matters that may properly come before the meeting.

*Vote Required.* Approval of the merger and the merger agreement requires the affirmative vote of at least a majority of the outstanding shares of Valley common stock. Not voting, voting "abstain" or failing to instruct your broker how to vote shares held for you in the broker's name will have the same effect as voting against the merger proposal. If you submit a signed proxy card without indicating a vote with respect to the merger, that proxy card will be deemed a vote in favor of the merger proposal and the proposal to approve, if necessary, adjournment or postponement of the special meeting to solicit additional proxies in favor of the merger proposal.

At close of business on the record date, certain of the directors and officers of Valley beneficially owned, in the aggregate, approximately 361,511 shares of Valley common stock, allowing them to exercise approximately 12.78% of the voting power of Valley common stock entitled to vote at the Valley special meeting (which does not include shares issuable upon the exercise of stock options that were not outstanding as of the record date). These stockholders have agreed to vote these shares in favor of the merger proposal, as more fully described in "The Merger Interests of Certain Persons in the Merger" beginning on page 52.

### **Community to Hold Special Meeting (Pages 26 - 27)**

*Date, Time and Place.* Community's special meeting of stockholders will be held at 12:00 p.m. on October 9, 2006, at 400 S. 4<sup>th</sup> Street, Suite 110, Las Vegas, Nevada.

*Purpose of the Special Meeting.* At this special meeting, Community's stockholders will be asked to approve the merger and the merger agreement, and a proposal to approve an amendment to Community's articles of incorporation to increase the authorized shares of common stock of Community to 30,000,000.

*Record Date; Stockholders Entitled to Vote.* You are entitled to vote at the Community special meeting if you owned Community common stock as of the record date, September 5, 2006. As of that date, there were 7,430,484

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shares of Community outstanding, held by 170 stockholders of record. Each holder of Community common stock is entitled to one vote per share on all matters that may properly come before the meeting.

*Vote Required.* Approval of the merger and the merger agreement requires the affirmative vote of at least a majority of the outstanding shares of Community common stock. Approval of the amendment to Community's articles of incorporation requires the affirmative vote of at least a majority of the outstanding shares of Community common stock. Not voting, voting abstain or failing to instruct your broker how to vote shares held for you in the broker's name will have the same effect as voting against the merger proposal and the amendment to Community's articles of incorporation. If you submit a signed proxy card without indicating a vote with respect to the merger or the amendment to the articles of incorporation, that proxy card will be deemed a vote in favor of the merger proposal, the proposal to amend the articles of incorporation, and the proposal to approve, if necessary, adjournment or postponement of the special meeting to solicit additional proxies in favor of the merger proposal.

### **Our Boards of Directors Recommend that Community and Valley Stockholders Approve the Merger (Pages 29-31)**

*Community Stockholders.* The Community board of directors has unanimously determined that the merger agreement and related agreements are fair to and in the best interests of Community and its stockholders and unanimously recommends that the Community stockholders vote **FOR** the adoption of the merger agreement.

*Valley Stockholders.* The Valley board of directors has determined that the merger agreement and related agreements are fair to and in the best interests of Valley and its stockholders and recommends that the Valley stockholders vote **FOR** the adoption of the merger agreement.

*Factors Considered by Our Boards.* In determining whether to approve the merger, our boards of directors each consulted with our respective senior managements and legal and financial advisors and considered the strategic, financial and other considerations referred to under "The Merger Recommendation of, and Factors Considered by, Valley's Board of Directors" and "The Merger Recommendation of, and Factors Considered by, Community's Board of Directors."

### **Financial Advisors Give Opinion That Merger Is Fair (Page 31 and Appendices B and C)**

Valley's financial advisor, Sandler O'Neill + Partners, L.P., has provided opinions to Valley's board of directors dated as of June 28, 2006, that subject to and based on the considerations referred to in its opinion, the merger consideration was fair to the Valley stockholders from a financial point of view. The full text of Sandler O'Neill's opinion dated June 28, 2006, is attached as Appendix B to this joint proxy statement prospectus. Valley urges its stockholders to read that opinion in its entirety.

Community's financial advisor, Keefe, Bruyette & Woods, Inc., has provided opinions to Community's board of directors dated as of June 27, 2006 that subject to and based on the considerations referred to in its opinion, the merger was fair to the Community stockholders from a financial point of view. The full text of Keefe, Bruyette & Woods' opinion dated June 27, 2006, is attached as Appendix C to this joint proxy statement prospectus. Community urges its stockholders to read that opinion in its entirety.

### **Tax Effects of the Transaction (Page 51)**

The merger will be tax-deferred for U.S. federal income tax purposes to Valley stockholders who receive only Community shares in the merger. A Valley stockholder who receives only cash in the merger will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount of cash received and the tax basis of the Valley shares exchanged therefor, and such gain or loss will be capital gain or loss assuming



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that the Valley shares are held by the stockholder as a capital asset. A Valley stockholder electing to receive Community shares and cash in the merger will recognize gain (but not loss) for U.S. federal income tax purposes in an amount equal to the lesser of (1) the amount of cash received in the merger and (2) an amount equal to the excess, if any, of (a) the sum of the amount of cash plus the fair market value of the Community shares received in the merger, over (b) the tax basis of the Valley shares exchanged therefor. The gain recognized will be capital gain (assuming the Valley shares are held by the stockholder as a capital asset) unless the receipt of cash by the Valley stockholder has the effect of a dividend distribution, in which event the gain will be treated as ordinary dividend income (to the extent of the stockholder's ratable share of Valley's accumulated earnings and profits at the time of the merger as calculated for U.S. federal income tax purposes).

Tax matters are very complicated and the consequences of the merger to any one stockholder will depend on that stockholder's particular facts and circumstances. We encourage you to consult your tax advisor about the tax consequences of the merger to you.

**Benefits to Certain Officers and Directors in the Merger (Page 52)**

When considering the recommendation of the Valley board of directors, you should be aware that some Valley directors and officers have interests in the merger that differ from the interests of other Valley stockholders. These interests include:

certain officers and directors have stock options which become exercisable in full at the time of the merger;

Barry L. Hulin, the President of Valley, has entered into an employment agreement with Community Bank of Nevada which will be effective upon the closing of the merger;

directors and officers have continuing liability insurance protection and indemnification protections;

certain executive officers of Valley will receive change-in-control payments upon consummation of the merger; and

Dan Stewart, a Valley board member, will become a member of Community's and Community Bank of Nevada's boards of directors after the closing of the merger.

See "The Merger Interests of Certain Persons in the Merger" beginning on page 52. The Valley board of directors was aware of these interests and considered them before approving the merger agreement.

**Valley Stockholders Should Make a Timely Election (Page 48)**

At least thirty-five days prior to the close of the merger, Valley stockholders will receive election forms by which they may indicate the form of consideration they wish to receive. Valley stockholders will have thirty days to return their election forms and appropriate documentation. If you do not make a timely election, you may not receive the form of consideration that you want. The merger agreement provides that 75% of the total consideration issued in the merger will be Community common stock if the Community average closing price is between \$28.26 and \$34.54. If the Community average closing price is outside that range, the merger agreement provides that \$32,520,632 of the total consideration will be paid in cash, and the balance in Community common stock. If elections to receive Community shares are not made for exactly the allowed stock percentage of the total consideration paid in the merger, an allocation procedure will be applied until the necessary level has been achieved. The first Valley shares to which the allocation procedures will be applied will be those shares for which a timely and valid election have not been made. If, after allocating to the undesignated shares, an additional allocation is necessary, there will be a proration procedure applied.

**PLEASE RETAIN THIS JOINT PROXY STATEMENT PROSPECTUS, SINCE IT WILL BE OF ASSISTANCE IN MAKING YOUR ELECTION.**



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**Do not send your Valley stock certificates in the envelope provided for returning your proxy card. The stock certificates should only be forwarded to the exchange agent with the letter of transmittal form which will be mailed to you separately.**

### **Things We Must Do for the Merger to Occur (Page 54)**

Completion of the merger is subject to various conditions, including:

approval of the merger agreement and the merger by the Valley and Community stockholders;

receipt of all governmental and other consents and approvals that are necessary to permit completion of the merger; and

other usual conditions.

Certain of these customary conditions to the merger may be waived by Community or Valley, as applicable.

### **Regulatory Approvals Needed (Page 50)**

We cannot complete the merger unless it is approved by the Nevada Division of Financial Institutions and the Board of Governors of the Federal Reserve System. Applications with the Division of Financial Institutions and the Federal Reserve have been filed. Community also filed a request with the Board of Governors of the Federal Reserve System for an exemption from the applicable application provisions of the Bank Holding Company Act.

Although we do not know of any reason why we cannot obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

### **Termination of the Merger Agreement (Page 56)**

The merger agreement may be terminated prior to the effective time of the merger for a variety of reasons, including by either party if all significant conditions are not met by February 28, 2007, or if the other party breaches the agreement, or by Valley if the Community average stock price falls below certain levels relative to the NASDAQ Bank Index. If Valley chooses to terminate the agreement because the Community average stock price falls below the designated relative level, Community has the right to reinstate the agreement, however the per share consideration paid will be fixed at \$43.13.

### **Termination Fees Between Valley and Community (Page 55)**

Certain cash payments may be made under the merger agreement in the event a party terminates the merger agreement in certain situations, including a payment by Valley to Community if the Valley stockholders fail to approve the merger and merger agreement and within twelve months from the date of termination Valley execute a competing transaction.

### **Risk Factors (Page 18)**

An investment in Community's common stock includes substantial risks. See the section entitled "Risk Factors" beginning on page 18 for a discussion of risks associated with the merger and an investment in Community's common stock.

### **Dividends After the Merger**

Valley has never paid a cash dividend on its common stock and has used its current and retained earnings to support its growth.

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Community has not paid a cash dividend since 2002 as it has used its current and retained earnings to support its rapid and continued growth. Community does not foresee any circumstances in the immediate future in which it would consider paying cash dividends on its common stock. Additionally, Community has no current practice of paying stock dividends.

**Dissenters Rights (Page 52)**

Neither stockholders of Valley nor Community will have dissenters rights in the merger.

**Accounting Treatment (Page 52)**

Community will account for the merger as a purchase for financial reporting purposes.

**Table of Contents****SELECTED HISTORICAL AND UNAUDITED PRO-FORMA FINANCIAL DATA**

We are providing the following information to aid you in your analysis of the financial effects of the merger. The historical selected financial data in the following tables shows financial results actually achieved by Valley and by Community for the periods presented. These are historical figures.

**Valley Historical Selected Financial Data**

The following selected consolidated financial data with respect to Valley for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been derived from its audited financial statements. The selected consolidated financial data for the six months ended June 30, 2006 and 2005 comes from the unaudited financial statements of Valley. Such interim financial statements include all adjustments that are, in the opinion of management, necessary to present fairly Valley's financial information for the interim periods presented. The operating results for the six months ended June 30, 2006, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2006.

	Six Months Ended June 30,		At or for the Year Ended December 31,					
	2006	2005	2005	2004	2003	2002	2001	
	(Dollars in thousands, except share, per share and percentage data)							
<b>Consolidated Income Data:</b>								
Interest income	\$ 15,878	\$ 9,744	\$ 22,922	\$ 13,458	\$ 10,006	\$ 8,602	\$ 7,968	
Interest expense	5,428	2,519	6,609	2,708	2,992	3,250	3,907	
Net interest income	10,450	7,225	16,313	10,750	7,014	5,352	4,061	
Provision for loan losses	279	280	777	632	478	1,596	340	
Net interest income after provision for loan losses	10,171	6,945	15,536	10,118	6,536	3,756	3,721	
Non-interest income	146	137	262	295	296	210	218	
Non-interest expenses	4,770	3,295	7,290	5,543	4,725	3,772	3,186	
Income before income tax expense	5,547	3,787	8,508	4,870	2,107	194	753	
Income tax expense	1,907	1,291	2,900	1,659	708	72	96	
Net income	\$ 3,640	\$ 2,496	\$ 5,608	\$ 3,211	\$ 1,399	\$ 122	\$ 657	
<b>Share Data:</b>								
Earnings (loss) per share basic	\$ 1.29	\$ 0.89	\$ 2.00	\$ 1.59	\$ 0.84	\$ 0.09	\$ 0.46	
Earnings (loss) per share diluted	\$ 1.23	\$ 0.85	\$ 1.90	\$ 1.53	\$ 0.81	\$ 0.08	\$ 0.45	
Dividend Payout Ratio	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Book value per share	\$ 16.07	\$ 13.85	\$ 14.84	\$ 12.99	\$ 9.27	\$ 7.81	\$ 7.72	
Common shares outstanding	2,827,881	2,808,173	2,827,681	2,790,748	1,725,478	1,438,130	1,429,880	
Weighted average shares outstanding basic	2,827,857	2,794,518	2,809,608	2,017,094	1,659,750	1,432,871	1,428,516	
Weighted average shares outstanding diluted	2,968,087	2,945,444	2,956,188	2,103,924	1,716,744	1,457,035	1,461,400	
<b>Consolidated Financial Condition Data:</b>								
Cash and cash equivalents	\$ 59,825	\$ 33,509	\$ 36,396	\$ 25,904	\$ 13,827	\$ 22,760	\$ 5,635	
Investments and other securities	34,827	39,185	36,622	36,413	19,006	3,029	728	
Gross loans	333,050	249,025	303,346	199,035	135,883	114,789	93,649	
Allowance for loan losses	(3,317)	(2,497)	(3,022)	(2,113)	(1,563)	(1,222)	(947)	
Assets	440,664	334,784	391,163	273,705	186,916	152,372	105,476	
Deposits	377,548	278,860	332,436	236,211	169,798	140,036	93,949	
Total borrowings	15,404	15,446	15,425	467	505	541		

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Stockholders equity	45,434	38,881	41,967	36,254	15,997	11,236	11,038
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	Six Months Ended June 30,			At or for the Year Ended December 31,			2001
	2006	2005	2005	2004	2003	2002	
<b>Selected Other Balance Sheet Data:</b>							
Average assets	\$ 413,748	\$ 304,440	\$ 337,801	\$ 229,582	\$ 173,766	\$ 129,769	\$ 99,721
Average earning assets	397,541	291,122	323,531	218,088	165,243	123,120	94,119
Average stockholders equity	43,947	37,431	39,076	21,984	14,096	11,268	10,727
<b>Selected Financial Ratios:</b>							
Return on average assets	1.76%	1.64%	1.66%	1.40%	0.81%	0.09%	0.66%
Return on average stockholders equity	16.57%	13.34%	14.35%	14.61%	9.92%	1.09%	6.12%
Net interest margin (1)	5.30%	5.00%	5.04%	4.93%	4.24%	4.35%	4.31%
Efficiency Ratio (2)	45.02%	44.76%	43.98%	50.16%	64.80%	68.03%	74.46%
<b>Capital Ratios:</b>							
Average stockholders equity to average assets	10.62%	12.30%	11.57%	9.58%	8.11%	8.68%	10.76%
Leverage Ratio	10.83%	12.21%	11.02%	14.17%	8.59%	7.66%	10.24%
Tier 1 Risk-Based Capital ratio	12.16%	13.93%	12.54%	16.00%	10.67%	9.00%	11.33%
Total Risk-Based Capital ratio	13.06%	14.85%	13.45%	16.97%	11.72%	9.99%	12.31%
<b>Selected Asset Quality Ratios:</b>							
Non-performing loans to total loans (3)	0.02%	0.76%	0.05%	0.09%	0.59%	0.47%	2.58%
Non-performing assets to total loans and OREO	0.02%	0.76%	0.05%	0.09%	0.76%	0.47%	3.23%
Non-performing assets to total assets (4)	0.02%	0.56%	0.04%	0.06%	0.55%	0.35%	2.86%
Allowance for loan losses to total loans	1.00%	1.01%	1.00%	1.07%	1.08%	1.07%	1.02%
Allowance for loan losses to non-performing loans	4738.57%	132.75%	1831.52%	1291.00%	194.52%	227.99%	39.77%
Allowance for loan losses to non-performing assets	4738.57%	132.75%	1831.52%	1291.00%	151.52%	227.99%	31.26%
Net charge-offs (recoveries) to average loans	(0.01)%	(0.10)%	(0.05)%		0.11%	1.27%	0.14%

(1) Net interest margin represents net interest income as a percentage of average interest-earning assets.

(2) Efficiency ratio represents noninterest expenses, excluding loan loss provision, as a percentage of the aggregate of net interest income and noninterest income, excluding gains or (losses) on sales of securities.

(3) Non-performing loans are defined as loans that are past due 90 days or more plus loans placed in nonaccrual status.

(4) Non-performing assets are defined as assets that are past due 90 days or more plus assets placed in nonaccrual status plus other real estate owned.

**Table of Contents****Community Historical Selected Financial Data**

The following selected consolidated financial data with respect to Community for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been derived from its audited financial statements. The selected consolidated financial data for the six months ended June 30, 2006 and 2005 comes from the unaudited financial statements of Community. Such interim financial statements include all adjustments that are, in the opinion of management, necessary to present fairly Community's financial information for the interim periods presented. The operating results for the six months ended June 30, 2006, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2006.

	Six months ended		At or for the Year Ended December 31,					2001 (1)
	June 30, 2006	2005	2005	2004	2003	2002		
(Dollars in thousands, except share, per share and percentage data)								
<b>Consolidated Income Data:</b>								
Interest and dividend income	\$ 35,959	\$ 18,382	\$ 46,337	\$ 30,038	\$ 27,143	\$ 25,449	\$ 24,119	
Interest expense	12,285	4,482	12,511	6,862	7,453	8,709	10,737	
Net interest income	23,674	13,900	33,826	23,176	19,690	16,740	13,382	
Provision for loan losses	1,607	91	1,085	922	1,723	1,958	1,909	
Net interest income, after provision for loan losses	22,067	13,809	32,741	22,254	17,967	14,782	11,473	
Non-interest income	1,082	795	2,275	1,489	1,563	1,392	1,670	
Non-interest expenses	12,298	8,064	20,512	15,946	12,020	9,112	8,460	
Income before income taxes	10,851	6,540	14,504	7,797	7,510	7,062	4,683	
Income tax expense	3,663	2,138	4,439	2,376	2,295	2,337	1,526	
Net income	\$ 7,188	\$ 4,402	\$ 10,065	\$ 5,421	\$ 5,215	\$ 4,725	\$ 3,157	
<b>Share data:</b>								
Earnings per share basic	\$ 0.97	\$ 0.65	\$ 1.45	\$ 1.13	\$ 1.13	\$ 1.03	\$ 0.69	
Earnings per share diluted	0.96	0.64	1.42	1.10	1.10	1.01	0.68	
Dividend payout ratio (2)	N/A	N/A	N/A	5.31%	7.96%	5.83%	8.70%	
Book value per share	\$ 15.46	\$ 12.08	\$ 14.47	\$ 11.49	\$ 6.96	\$ 5.91	\$ 4.87	
Shares outstanding at period end	7,387,069	6,754,847	7,374,712	6,747,673	4,629,580	4,607,040	4,582,040	
Weighted average shares outstanding basic	7,384,003	6,750,973	6,964,719	4,798,922	4,620,744	4,591,026	4,579,653	
Weighted average shares outstanding diluted	7,482,050	6,870,482	7,091,311	4,940,977	4,729,021	4,682,486	4,675,917	
<b>Consolidated Balance Sheet Data:</b>								
Cash and cash equivalents	\$ 71,806	\$ 75,112	\$ 86,904	\$ 67,254	\$ 36,005	\$ 33,537	\$ 8,974	
Investments and other securities	86,558	87,956	97,204	86,260	70,093	63,596	39,271	
Gross loans	806,873	471,107	663,407	403,270	350,082	293,535	247,182	
Allowance for loan losses	(9,730)	(6,068)	(8,117)	(6,133)	(5,409)	(4,688)	(3,700)	
Total assets	1,009,513	651,131	892,708	573,961	463,431	400,571	304,058	
Total deposits	793,433	504,062	725,088	476,252	403,713	351,584	277,422	
Total borrowings	59,500	45,000	19,500	350	10,000	5,000	2,764	
Junior subordinated debt	36,083	15,464	36,083	15,464	15,464	15,464		
Total stockholders' equity	114,172	81,636	106,749	77,553	32,201	27,212	22,336	



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### Selected Other Balance Sheet

#### Data:

Average assets	\$ 945,523	\$ 611,533	\$ 703,556	\$ 523,766	\$ 436,843	\$ 356,097	\$ 292,866
Average earning assets	881,644	579,868	660,218	498,578	416,742	336,682	276,228
Average stockholders equity	110,952	79,855	88,664	35,910	29,279	24,729	21,186

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	Six months ended						2001 (1)
	June 30,		At or for the Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	
<b>Selected Financial Ratios:</b>							
Return on average assets	1.52%	1.44%	1.43%	1.04%	1.19%	1.33%	1.08%
Return on average stockholders equity	13.0%	11.0%	11.4%	15.1%	17.8%	19.1%	14.9%
Net interest margin (3)	5.37%	4.79%	5.12%	4.65%	4.72%	4.97%	4.84%
Efficiency ratio (4)	49.68%	54.9%	56.8%	64.7%	56.6%	50.3%	56.2%
<b>Capital Ratios:</b>							
Average stockholders equity to average assets	11.73%	13.05%	12.60%	6.86%	6.70%	6.94%	7.23%
Leverage ratio	13.16%	15.88%	13.09%	16.91%	8.96%	8.84%	7.06%
Tier 1 risk-based capital ratio	13.89%	17.60%	14.20%	19.66%	11.18%	11.03%	8.58%
Total risk-based capital ratio	14.95%	18.70%	16.29%	20.92%	13.61%	14.14%	9.83%
<b>Selected Asset Quality Ratios:</b>							
Non-performing loans to total loans (5)	0.21%	0.13%	0.14%	0.24%	0.66%	1.10%	2.26%
Non-performing assets to total loans and OREO (6)	0.21%	0.13%	0.14%	0.78%	1.00%	1.99%	3.29%
Non-performing assets to total assets (6)	0.17%	0.10%	0.10%	0.55%	0.76%	1.47%	2.71%
Allowance for loan losses to total loans	1.21%	1.29%	1.22%	1.52%	1.55%	1.60%	1.50%
Allowance for loan losses to non-performing loans	577.5%	969.3%	887.1%	633.6%	233.7%	145.0%	66.2%
Allowance for loan losses to non-performing assets	577.5%	969.3%	887.1%	194.3%	154.2%	79.6%	45.0%
Net charge-offs (recoveries) to average loans	0.00%	0.07%	0.01%	0.05%	0.31%	0.36%	0.47%

- (1) Community Bank of Nevada data only. The holding company reorganization was completed August 2002.
- (2) There were no dividends declared as of June 2006 and in 2005. The dividend payout ratios for 2004 and 2003 are based on stock dividends, the ratio for 2002 is based on both stock and cash dividends and the ratios for years prior to 2002 are based on cash dividends.
- (3) Net interest margin represents net interest income as a percentage of average interest earning assets.
- (4) Efficiency ratio represents non-interest expenses, excluding loan loss provision, as a percentage of the aggregate of net interest income and non-interest income.
- (5) Non-performing loans are defined as loans that are past due 90 days or more plus loans placed in non-accrual status.
- (6) Non-performing assets are defined as assets that are past due 90 days or more plus assets placed in non-accrual status plus other real estate owned.

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**Selected Unaudited Pro-Forma Combined Financial Information**

The accompanying unaudited pro forma combined statement of income data presents the unaudited consolidated statement of income data of Community for the six months ended June 30, 2006 and the audited consolidated statement of income data for the year ended December 31, 2005 combined, respectively, with Valley's unaudited consolidated statement of income data for the six months ended June 30, 2006 and audited consolidated statement of income data for the year ended December 31, 2005. The unaudited pro forma combined statement of income data gives effect to the merger as if it has occurred as of the beginning of each period.

The accompanying unaudited pro forma combined balance sheet data assumes the merger took place as of June 30, 2006. The unaudited pro forma consolidated balance sheet data combines the unaudited consolidated balance sheet data of Community as of June 30, 2006 and the unaudited consolidated balance sheet data of Valley as of June 30, 2006.

You should not assume that the combined company would have achieved the pro forma combined results if they had actually been combined during the periods presented. For purposes of illustration, the pro forma combined figures have been calculated assuming that the average closing price of Community common stock is \$31.08 resulting in value to Valley stockholders of \$46.00 per share in cash. As of June 30, 2006, there were 2,827,881 Valley shares outstanding.

The pro forma financial information includes purchase accounting adjustments to record the assets and liabilities of Valley at their estimated fair values and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The pro forma financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the impact of business integration costs, possible revenue enhancements and expense efficiencies, among other factors, been considered.

The unaudited pro forma financial information presented below should be read together with the historical financial statements of Community and Valley, including the related notes and the other unaudited pro forma financial information, including the related notes, incorporated by reference in this document. See Unaudited Pro Forma Combined Financial Statements beginning on page 61. The unaudited pro forma financial data is not necessarily indicative of results that actually would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

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The following pro forma financial information does not include financial information relating to Community's pending acquisition of Cactus Commerce Bank.

	Six months ended June 30, 2006 (Unaudited)	Year ended December 31, 2005
(Dollars in thousands)		
<b>Summary Statements of Income Data:</b>		
Interest and dividend income	\$ 50,860	\$ 67,306
Interest expense	17,713	19,120
Net interest income, before provisions for loan losses	33,147	48,186
Provision for loan losses	1,886	1,862
Net interest income after provisions for loan losses	31,261	46,324
Non-interest income	1,228	2,537
Non-interest expenses	17,598	28,862
Income before income taxes	14,891	19,999
Income tax expense	5,058	6,315
Net income	\$ 9,833	\$ 13,684
Earnings per share - basic	\$ 0.92	\$ 1.33
Earnings per share - diluted	\$ 0.91	\$ 1.31

	June 30, 2006 (Unaudited)
(Dollars in thousands)	
<b>Summary Balance Sheet Data:</b>	
Cash and cash equivalents	\$ 92,578
Total investment securities	121,385
Net loans	1,121,939
Total assets	1,507,802
Total deposits	1,170,981
Total liabilities	1,290,571
Total stockholders' equity	217,231

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**Unaudited Comparative Per Share Data**

The following table sets forth for Community common stock and Valley common stock certain historical, unaudited pro forma combined and unaudited pro forma equivalent per share financial information. The unaudited pro forma combined and unaudited pro forma equivalent per share information gives effect to the merger as if the merger had been effective at the beginning of the periods presented; the book value data presented gives effect to the merger as if the merger had been effective at the date of the balance sheet. The unaudited pro forma data in the following table assume that the merger is accounted for using the purchase method of accounting. The information in the following table is based on, and should be read together with, the unaudited pro forma combined financial information that appears elsewhere in this document and the historical financial information of Valley and Community. See Unaudited Pro Forma Condensed Combined Financial Statements on page and Where You Can Find More Information on page .

The pro forma financial information is not necessarily indicative of results that actually would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

	Six Months Ended June 30, 2006	Year Ended December 31, 2005
<b>Community historical per share data:</b>		
Basic earnings per share	\$ 0.97	\$ 1.45
Diluted earnings per share	\$ 0.96	\$ 1.42
Book value per share	\$ 15.46	\$ 14.47
<b>Valley historical per share data:</b>		
	Six Months Ended June 30, 2006	Year Ended December 31, 2005
Basic earnings per share	\$ 1.29	\$ 2.00
Diluted earnings per share	\$ 1.23	\$ 1.90
Book value per share	\$ 16.07	\$ 14.84
<b>Unaudited pro forma per share data:</b>		
	Six Months Ended June 30, 2006	Year Ended December 31, 2005
Combined earnings per Community share (1)		
Basic	\$ 0.92	\$ 1.33
Diluted	\$ 0.91	\$ 1.31
Basic and diluted earnings per equivalent Valley share (2)		
Basic	\$ 1.36	\$ 1.97
Diluted	\$ 1.35	\$ 1.94
Book value per Community share	\$ 20.30	N/A
Book value per equivalent Valley share (3)	\$ 30.04	N/A
Tangible book value per Community share	\$ 9.06	N/A

- (1) The unaudited pro forma earnings per share amounts are calculated by totaling the historical net income (after giving effect to pro forma adjustments) of Community and Valley and dividing the resulting amount by the average pro forma shares of Community giving effect to the merger using an implied exchange ratio of 1.4801 (based on Community's share price of \$31.08 as of June 30, 2006.) and inclusive of 3,139,057 shares of Community stock to be issued in exchange for 75% of Valley's common shares outstanding of 2,827,881 plus 154,318 net shares issued in exchange for options.
- (2) Per equivalent Valley share data is calculated by taking the product of the unaudited combined pro forma per share data combined and an implied exchange ratio of 1.4801 (based on Community's share price of \$31.08 as of June 30, 2006).

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- (3) Pro forma book value per common share is based on the pro forma total stockholders' equity of the combined entity divided by the total pro forma common shares of the combined entity giving effect to the merger using an implied exchange ratio of 1.4801 which would result in the issuance of 3,315,917 shares of Community common stock.

**Historical Market Prices and Dividend Information**

**Community**

Community common stock is listed on the NASDAQ Global Market System under the symbol CBON. Prior to Community's initial public offering in December 2004 there had been no public market for its common stock. Community's common stock had been traded, from time to time, by individuals on a negotiated basis between the parties. The following table sets forth those trades of which Community has knowledge during the period from January 1, 2004 through December 9, 2004, including the quarter in which the trades occurred, the aggregate number of shares traded during such quarter and the range of sales price per share:

Quarter of Trade	Number Shares	Price Per Share
1st 04	50	\$ 9.00
2nd 04	3,000	\$ 9.00
3rd 04	N/A	N/A
October 1, 2004 - December 9, 2004	N/A	N/A

For the periods indicated since Community's IPO, the following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of Community common stock as reported on the NASDAQ Global Market System:

Quarter	High	Low
2004:		
December 10 through December 31	\$ 33.00	\$ 27.51
2005:		
First quarter	\$ 30.90	\$ 25.03
Second quarter	\$ 32.00	\$ 23.35
Third quarter	\$ 34.75	\$ 30.57
Fourth quarter	\$ 33.99	\$ 30.07
2006:		
First quarter	\$ 33.00	\$ 29.70
Second quarter	\$ 34.31	\$ 28.87
Third quarter (through August 29)	\$ 34.09	\$ 30.41

Community has not declared a cash dividend since 2002 as it has used its current and retained earnings to support its rapid and continued growth. Community does not foresee any circumstances in the immediate future in which it would consider paying cash dividends on its common stock. Additionally, in 2004 Community discontinued paying stock dividends.

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**Valley**

Valley common stock is listed on the NASDAQ Global Market System under the symbol VLLY. Prior to Valley's initial public offering in September 2004 there had been no public market for its common stock. Valley's common stock had been traded, from time to time, by individuals on a negotiated basis between the parties. The following table sets forth those trades of which Valley has knowledge during the period from January 1, 2004 through September 22, 2004, including the quarter in which the trades occurred, the aggregate number of shares traded during such quarter and the range of sales price per share:

Quarter of Trade	Number Shares	Price Per Share
1st 04		N/A
2nd 04		N/A
July 1, 2004 - September 22, 2004		N/A

For the periods indicated since Valley's IPO, the following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of Valley common stock as reported on the NASDAQ Global Market System:

Quarter	High	Low
2004:		
September 23, 2004 - September 30, 2004	\$ 23.85	\$ 20.85
Fourth Quarter	\$ 45.00	\$ 23.00
2005:		
First quarter	\$ 43.50	\$ 29.05
Second quarter	\$ 31.69	\$ 26.00
Third quarter	\$ 36.00	\$ 29.46
Fourth quarter	\$ 35.99	\$ 30.46
2006:		
First quarter	\$ 39.00	\$ 33.00
Second quarter	\$ 44.70	\$ 36.85
Third quarter (through August 29)	\$ 45.70	\$ 43.95

Valley has never paid a cash dividend.

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**FORWARD LOOKING STATEMENTS**

This joint proxy statement-prospectus, any supplement and any documents incorporated by reference may contain certain forward-looking statements about Community, Valley and the combined company, which statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of Community and Valley. Readers are cautioned that a number of important factors could cause actual results to differ materially from those expressed in, implied or projected by, such forward-looking statements. Risks and uncertainties include, but are not limited to:

planned acquisitions and relative cost savings cannot be realized or realized within the expected time frame;

revenues are lower than expected;

an increase in the provision for loan losses resulting from credit quality deterioration;

Community's and Valley's dependency on real estate and economic conditions in Clark and Nye Counties, Nevada;

competitive pressure among depository institutions increases significantly;

Community's ability to successfully execute announced or future acquisitions or to receive regulatory approvals on the terms expected or on the anticipated schedule or at all;

Community's ability to integrate acquired entities and businesses and to achieve expected synergies, operating efficiencies or other benefits within expected time-frames or at all, or within expected cost projections;

the possibility that personnel changes will not proceed as planned;

the cost of additional capital is more than expected;

a change in the interest rate environment reduces interest margins;

asset/liability repricing risks and liquidity risks;

general economic conditions, either nationally or in the market areas in which Community and Valley do or anticipate doing business, are less favorable than expected;

the economic and regulatory effects of the continuing war on terrorism and other events of war, including the war in Iraq;



legislative or regulatory requirements or changes that may adversely affect Community's or Valley's business; and

changes in the securities markets.

If any of these risks or uncertainties materializes or if any of the assumptions underlying such forward-looking statements proves to be incorrect, results could differ materially from those expressed in, implied or projected by, such forward-looking statements. Neither Community nor Valley assumes any obligation to update such forward-looking statements. For a more detailed discussion of certain of these factors, see the section entitled "Risk Factors" in this joint proxy statement-prospectus and Item 1A, Risk Factors in Community's and Valley's most recent Form 10-K (incorporated by reference in this joint proxy statement-prospectus) and similar sections in Community's and Valley's future filings which are incorporated by reference in this joint proxy statement-prospectus, which describe risks and factors that could cause results to differ materially from those projected in such forward-looking statements. Community and Valley caution the reader that these risk factors may not be exhaustive. Community and Valley operate in a continually changing business environment, and new risk factors emerge from time to time. Neither management of Community nor Valley can predict such new risk factors, nor can they assess the impact, if any, of such new risk factors on Community's or Valley's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements.

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**RISK FACTORS**

*Community stockholders and Valley stockholders should carefully consider the following factors, in addition to those factors discussed in the documents that we have filed with the SEC which are incorporated by reference into this document and the other information in this joint proxy statement-prospectus, including the matters addressed in Forward Looking Statements, before voting.*

**Risks Related to the Merger**

**The merger involves a high degree of risk. Because a substantial portion of the merger consideration consists of Community common stock, most Valley stockholders will become Community stockholders after the merger. An investment in the combined companies will include different risks than an investment in either of the constituent companies.**

*Community may be unable to integrate operations successfully or to achieve expected cost savings.*

The earnings, financial condition and prospects of Community after the merger will depend in part on Community's ability to integrate the operations and management of Valley and to continue to implement its own business plan. There is no assurance that Community will be able to do so. Among the issues that Community could face are:

unexpected problems with operations, personnel, technology or credit;

loss of customers and employees of Valley;

difficulty in working with Valley's employees and customers;

the assimilation of Valley's operations, sites and personnel; and

instituting and maintaining uniform standards, controls, procedures and policies.

Further, although the board of directors of Community anticipates cost savings as a result of the merger, Community may not be fully able to realize those savings. Any cost savings which are realized may be offset by losses in revenues or other charges to earnings.

*Community expects to incur significant costs associated with the merger.*

Community has incurred or will incur transaction costs associated with the merger, a portion of which will be incurred whether or not the merger closes. Community believes the combined company may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the merger is completed or subsequent quarters, to reflect costs associated with integrating the two banks. There is no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger, including charges associated with the impairment of any goodwill booked in connection with the merger.

*The loan portfolios may not perform as expected.*

Community's performance and prospects after the merger will be dependent to a significant extent on the performance of the combined loan portfolios of Valley Bank and Community Bank of Nevada, and ultimately on the financial condition of their respective borrowers and other customers. The existing loan portfolios of the two banks differ to some extent in the types of borrowers, industries and credits represented. In addition, there are differences in the documentation, classifications, credit ratings and management of the portfolios. As a result, Community's overall loan portfolio after the merger will have a different risk profile than the loan portfolio of either Valley Bank or Community Bank of Nevada before the merger. The performance of the two loan portfolios will be adversely affected if any of such factors is worse than currently anticipated. In addition, to the



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extent that present customers are not retained by Valley Bank or additional expenses are incurred in retaining them, there could be adverse effects on future consolidated results of operations of Community following the merger. Realization of improvement in profitability is dependent, in part, on the extent to which the revenues of Valley are maintained and enhanced.

### ***The market price of Community common stock is uncertain.***

The shares of Community common stock which will be issued to Valley stockholders in the merger are based on the average closing price of Community stock for a period prior to the merger.

The market price of Community common stock on or after consummation of the merger may not approximate the prices of Community prior to the merger.

Stock price changes, whether before or after the merger, may result from a variety of factors including general market and economic conditions, changes in the respective businesses, operations and prospects and regulatory considerations. Additionally, since Community and Valley differ, the results of the combined company and its market price may be affected by factors different than those currently affecting the independent results of both companies and their respective stock prices.

### ***Valley stockholders may not receive the form of merger consideration that they elect.***

The merger agreement is designed to ensure that a certain percentage of the total consideration that will be paid to Valley stockholders in the merger will be paid in cash, and the balance will be paid in shares of Community common stock. Valley stockholders may elect to receive cash, Community common stock or a combination as their merger consideration, but their election may not be fully honored. See The Merger Election Procedure.

If an election is not fully honored, a Valley stockholder will incur tax consequences that differ from those that would have resulted had he or she received the form of consideration elected. See The Merger Material Federal Income Tax Consequences.

## **Risks Relating to Community's Market**

**A deterioration in economic conditions and a slowdown in growth generally, as well as a slowdown in gaming and tourism activities in particular, could adversely affect Community's business, financial condition, results of operations and prospects. Such deterioration could result in a variety of adverse consequences to Community, including a reduction in net income and the following:**

**loan delinquencies may increase, which would cause Community to increase loan loss provisions;**

**problem assets and foreclosures may increase, which could result in higher operating expenses, as well as possible increases in Community's loan loss provisions;**

**demand for Community's products and services may decline including specifically, the demand for loans, which would cause Community's revenues, which include net interest income and non-interest income, to decline; and**

**collateral for loans made by Community may decline in value, reducing a customer's borrowing power, and reducing the value of assets and collateral associated with Community's loans, which could cause decreases in net interest income and increasing loan loss provisions.**

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***The greater Las Vegas area economy has grown dramatically during the past several years. The failure of this economy to sustain such growth in the future could seriously affect Community's ability to grow and to be profitable.***

Community's assets have enjoyed substantial growth with an annual compounded growth rate of 30.9% for the four-year period ending December 31, 2005. In large part, Community's growth has been fueled by the significant growth in the greater Las Vegas area. Diminished growth of this market in the future could have a significant adverse impact on Community's continued growth and profitability.

While the current economic forecasts prepared by the Center for Business and Economic Research at the University of Nevada at Las Vegas remain optimistic about the future growth of Las Vegas, albeit at lower growth rates than have recently been experienced, there are uncertainties in the economy, besides tourism and gaming discussed below, such as limitations on water, continued measured availability of land from the Bureau of Land Management, infrastructure strains, increasing costs of housing, and tax and budgetary pressures, which may hamper future growth.

***Community's market area is substantially dependent on gaming and tourism revenue, and a downturn in gaming or tourism could seriously hurt its business and prospects.***

Community's business is currently concentrated in the greater Las Vegas area which has an economy unique in the United States for its level of dependence on services and industries related to gaming and tourism. Any event that negatively impacts the tourism or gaming industry will adversely impact the Las Vegas economy.

Gaming and tourism revenue (whether or not such tourism is directly related to gaming) is vulnerable to various factors. A prolonged downturn in the national economy could have a significant adverse effect on the economy of the Las Vegas area. Virtually any development or event that could dissuade travel or spending related to gaming and tourism, whether inside or outside of Las Vegas, could adversely affect the Las Vegas economy. In this regard, the Las Vegas economy is more susceptible than the economies of other cities to issues such as higher gasoline and other fuel prices, increased airfares, unemployment levels, recession, rising interest rates, and other economic conditions, whether domestic or foreign.

***An expansion of permissible gaming activities in other states, particularly in California, may lead to a decline in gaming revenue in Las Vegas, which could hurt Community's business and prospects.***

Las Vegas competes with other areas of the country for gaming revenue, and it is possible that the expansion of gaming operations in other states, as a result of changes in laws or otherwise, could significantly reduce gaming revenue in the greater Las Vegas area. This is particularly true of gaming operations in California, a state from which Nevada generally, and Las Vegas in particular, draw substantial year-round visitors. Agreements negotiated between the State of California and certain Indian tribes as well as other proposals currently under consideration in California may result in substantial additional casinos throughout the state. In addition, other California legislative proposals could permit an expansion of gaming activities allowed in card clubs, including the addition of slot machines. A dramatic growth in casino gaming in California or other states could have a substantial adverse effect on gaming revenue in Nevada, including the Las Vegas area, which would adversely affect the Las Vegas economy and Community's business.

***A terrorist act, or the mere threat of a terrorist act, may adversely affect the Las Vegas economy and may cause substantial harm to Community's business.***

Gaming and tourism are also susceptible to certain political conditions or events, such as military hostilities and acts of terrorism, whether domestic or foreign. The effects of the terrorist attacks of September 11, 2001, on gaming and tourism in Las Vegas were substantial for a few months. Reduced civilian air traffic in large part caused a reduction in revenue and employee layoffs in many hotels and casinos. This resulted in a substantial loss of revenues for these businesses. Any direct attack on locations in Las Vegas would likely have an even greater adverse impact on the local economy.

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***Future growth of the greater Las Vegas area is dependent, among other things, on the availability of water, and any restrictions imposed by the government on water consumption could curtail future development, which has been a source of growth in Community's loan portfolio.***

Future development in the greater Las Vegas area is subject to the availability of water. According to the Rocky Mountain Institute, Las Vegas has one of the highest per-capita rates of water consumption in the nation. Based upon an August 2003 U.S. Geological Survey, inflows into Lake Mead and Lake Powell on the Colorado River have been below average since the start of a persistent drought in the western United States in 2000. In 2003, Lake Mead, the primary water supply for Las Vegas, dropped to its lowest level in more than three decades. We cannot assure that governmental officials will not impose building moratoriums, restrictive building requirements, water conservation measures, or other measures to address water shortages in the future. Such restrictions could curtail future development, which has been a source of growth in Community's loan portfolio, or make living conditions less desirable than current conditions, which could reduce the influx of new residents from current levels.

***The value of real estate in the greater Las Vegas area is influenced by the distribution policies of the federal Bureau of Land Management. A change in such distribution policies could affect the value of real estate, which, in turn, could negatively affect Community's real estate loan portfolio.***

Land values in Nevada are influenced by the amount of land sold by the federal Bureau of Land Management, which controls 67% of Nevada's land, according to the Nevada State Office of the Bureau of Land Management. Changes to the federal Bureau of Land Management distribution policies on Nevada land could adversely affect the value of Nevada real estate.

***Community has a high concentration of loans secured by real estate and a downturn in the real estate market, for any reason, could hurt Community's business and Community's prospects.***

At June 30, 2006, 84% of Community's loan portfolio was comprised of loans secured by real estate. Raw land loans, which are included in the categories below, represent approximately 21% of Community's total loans secured by real estate. Of the loans secured by real estate, approximately:

65% are construction and land development loans, including raw land;

31% are commercial real estate loans; and

4% are residential real estate loans.

Assuming the merger closed June 30, 2006, 86% of the combined companies' loan portfolio would have been comprised of loans secured by real estate. Of the loans secured by real estate, approximately:

65% are construction and land development loans, including raw land;

32% are commercial real estate loans; and

3% are residential real estate loans.

These real estate-secured loans are concentrated in the greater Las Vegas area. A downturn in the local economy could have a material adverse effect on a borrower's ability to repay these loans due to either loss of borrower's employment or a reduction in borrower's business. Further, such reduction in the local economy could severely impair the value of the real property held as collateral. As a result, the value of real estate collateral securing Community's loans could be reduced. Community's ability to recover on defaulted loans by foreclosing and selling the real estate collateral would then be diminished and it would be more likely to suffer losses on defaulted loans.

## Edgar Filing: Community Bancorp - Form S-4/A

In addition, banking regulators have recently issued proposed guidance regarding institutions that have particularly high concentrations of commercial real estate loans within their lending portfolios. This guidance

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suggests that institutions that exceed certain levels of commercial real estate lending may be required, in the future, to maintain higher capital ratios than institutions with lower concentrations in commercial real estate lending. If and when this proposed guidance becomes final, Community may be subject to enhanced regulatory scrutiny and subject to higher capital requirements.

### **Risks Relating to Community's Business**

**Community's future success involves both its ability to grow and ability to manage such growth. Additionally, Community must continue to manage the risks inherent in the banking business. Community may not be able to sustain its historical growth rates, be able to grow at all, or successfully manage any growth, whether or not the greater Las Vegas area economy continues to grow. This could result in a variety of adverse consequences to Community, including the following:**

**inability to realize any benefit from Community's investment of resources made to support its future growth;**

**failure to attract or retain experienced commercial bankers or other key employees;**

**inability to maintain adequate controls and systems; and**

**failure to comply with applicable federal, state and local laws, rules and regulations.**

*Community may not be able to continue its growth at the rate it has in the past several years.*

Community has grown from \$304.1 million in total assets, \$247.2 million in gross loans and \$277.4 million in total deposits at December 31, 2001, to \$1.0 billion in total assets, \$806.9 million in gross loans and \$793.4 million in total deposits at June 30, 2006. Community's business strategy calls for, among other things:

continued growth of its assets, loans, deposits and customer base;

expansion through acquisition or the establishment of new branches or banks in high growth markets, such as the greater Las Vegas area, or similar high growth markets in Arizona and California, such as the pending acquisition of Cactus Commerce Bank in Glendale, Arizona (see Information About Community Recent Developments, page 59);

recruitment of experienced commercial bankers and other key employees; and

effective leveraging of its capital.

However, Community may encounter unanticipated obstacles in implementing its strategy. If Community is unable to expand its business, as it anticipates based on its strategic plan, Community may not be able to maintain profitability, and there can be no assurance that it will be able to sustain its historical growth rates.

*A component of Community's business strategy is to expand into high growth markets by opening new branches or acquiring other financial institutions. Community may not be able to successfully implement this part of its business strategy, and therefore its market value and profitability may suffer.*

Growth through acquisitions of banks represents a component of Community's business strategy. Any future acquisitions, including the pending acquisition of Cactus Commerce Bank, will be accompanied by the risks commonly encountered in acquisitions. These risks include, among



other things:

difficulty of integrating the operations and personnel of acquired banks and branches;

potential disruption of Community's ongoing business;

inability of Community's management to maximize its financial and strategic position by the successful implementation of uniform product offerings and the incorporation of uniform technology into Community's product offerings and control systems;

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inability to maintain uniform standards, controls, procedures and policies and the impairment of relationships with employees and customers as a result of changes in management, and

for acquisitions outside our present market, lack of familiarity with the new markets in which we make acquisitions. Community cannot assure you that it will be successful in overcoming these risks or any other problems encountered in connection with acquisitions. Community's inability to improve the operating performance of acquired banks or to integrate their operations successfully could have a material adverse effect on Community's business, financial condition, results of operations and cash flows. In addition, Community could incur substantial expenses, including the expenses of integrating the business of the acquired bank with its existing business.

Community expects that competition for appropriate acquisition candidates may be significant. It may compete with other banks or financial service companies with similar acquisition strategies, many of which may be larger or have greater financial and other resources than Community has. The purchase price of banks that might be attractive acquisition candidates for Community may significantly exceed the fair values of their net assets. As a result, material goodwill and other intangible assets would be required to be recorded. Community cannot assure you that it will be able to successfully identify and acquire suitable banks on acceptable terms and conditions.

Depending upon the structure of a particular acquisition and the consideration Community may utilize, it may not seek your approval as a stockholder. Further, acquisitions may be structured to include cash consideration that may result in the depletion of a substantial portion of Community's available cash.

***Community's growth could be hindered unless it is able to recruit additional, qualified employees. Community may have difficulty attracting additional necessary personnel, which may divert resources and limit Community's ability to successfully expand its operations.***

The greater Las Vegas area is experiencing a period of rapid growth, placing a premium on highly qualified employees in a number of industries, including the financial services industry. Community's business plan includes, and is dependent upon, hiring and retaining highly qualified and motivated executives and employees at every level, including an SBA management and support staff, experienced loan originators and branch managers. Community expects to experience substantial competition in its endeavor to identify, hire and retain the top-quality employees. If Community is unable to hire and retain qualified employees in the near term, it may be unable to successfully execute its business strategy and/or be unable to successfully manage its growth.

Community believes that it has built its management team and personnel, and established an infrastructure, to support its current size. Community's future success will depend on the ability of its executives and employees to continue to implement and improve its operational, financial and management controls and processes, reporting systems and procedures, and to manage a growing number of client relationships. Community may not be able to successfully implement improvements to its management information and control systems and control procedures and processes in an efficient or timely manner. In particular, its controls and procedures must be able to accommodate an increase in expected loan volume and the infrastructure that comes with new branches.

Community cannot assure you that its growth strategy will not place a strain on its administrative and operational infrastructure. If Community is unable to locate additional personnel and to manage future expansion in its operations, Community may experience compliance and operational issues, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could adversely affect its business.

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***Community's business would be harmed if it lost the services of any of its executive management team.***

Community believes that its success to date and prospects for success in the future are substantially dependent on its and Community Bank of Nevada's executive management team, including Community Bank of Nevada's Chief Executive Officer, President and Chief Operating Officer, Executive Vice President/Chief Financial Officer, Executive Vice President/Chief Credit Officer, Executive Vice President/Credit Administrator, and Executive Vice President/Chief Risk Manager. The loss of the services of any of these persons could have an adverse effect on Community's business. Community Bank of Nevada has employment agreements with its Chief Executive Officer, President and Chief Operating Officer, and Executive Vice President/Chief Financial Officer. In light of the relatively small pool of persons involved in the greater Las Vegas area banking industry, Community could have difficulty replacing any of its executive management team or senior officers with equally competent persons who are also familiar with Community's market area.

***There is intense competition in Community's market area, and Community cannot assure you that it will be able to successfully compete.***

Commercial banking in the greater Las Vegas area is a highly competitive business. Increased competition in Community's market may result in reduced loans and deposits. Community competes for loans and deposits primarily with the local offices of major banks. Community competes with other community banks in its market for customers as well. Community also competes with credit unions, small loan companies, insurance companies, mortgage companies, finance companies, brokerage houses, other financial institutions and out-of-state financial intermediaries, some of which are not subject to the same degree of regulation and restriction as Community and some of which have greater financial resources. Technological advances continue to contribute to greater competition in domestic and international products and services. Ultimately, Community may not be able to compete successfully against current and future competitors.

***Community's allowance for loan losses may not be adequate to cover actual losses particularly given its relatively large individual loan size.***

A significant source of risk arises from the possibility that losses could be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loans. The underwriting and credit monitoring policies that Community has adopted to address this risk may not prevent unexpected losses that could have a material adverse effect on its business. Most of Community's loans, or approximately 84%, are secured by real estate. Community Bank of Nevada's legal lending limit is approximately \$25 million. At June 30, 2006, Community had 165 loans in excess of \$1 million each, totaling \$660 million. These loans comprise approximately 15% of Community's loan portfolio by number of loans and 82% by total loans outstanding. Community's average loan size at June 30, 2006 was approximately \$739,000 (excluding credit card, overdraft and purchased participation loans). This relatively large average loan size, while an advantage from a cost generation standpoint, can adversely impact Community if one or more of these larger loans becomes delinquent, unstable, impaired, uncollectible or inadequately collateralized.

Like all financial institutions, Community maintains an allowance for loan losses to provide for loan defaults and non-performance. Community's allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect Community's business. Community's allowance for loan losses is based on its prior experience and peer bank experience, as well as an evaluation of the known risks in the current portfolio, composition and growth of the loan portfolio and economic factors. The determination of the appropriate level of loan loss allowance is an inherently difficult process and is based on numerous assumptions. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that may be beyond Community's control and these losses may exceed current estimates. Community cannot assure you that it will not increase the allowance for loan losses further or that regulators will not require Community to increase this allowance. Either of these occurrences could adversely affect Community's business and prospects.

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### ***Provisions in Community's articles of incorporation and bylaws may limit the ability of another party to acquire it.***

Various provisions of Community's articles of incorporation and by-laws could delay or prevent a third-party from acquiring Community, even if doing so might be beneficial to Community's stockholders. These provisions provide for, among other things, advance notice for nomination of directors and limitations on the ability of stockholders to call a special meeting of stockholders, which can make minority stockholder representation on the board of directors more difficult to establish.

### ***Community is subject to extensive government regulation. These regulations could adversely affect Community's business, financial condition, results of operations or cash flows.***

Community is subject to extensive regulation by federal, state and local governmental authorities and is subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of its operations. Because Community's business is highly regulated, the laws, rules and regulations applicable to it are subject to regular modification and change. There are currently proposed various laws, rules and regulations that, if adopted, would impact Community's operations. Community cannot assure you that these proposed laws, rules and regulations or any other laws, rules or regulations will not be adopted in the future, which could adversely affect Community's business, financial condition, results of operations or cash flows.

### ***Community's stock trades less frequently than others.***

Although Community's common stock is listed for trading on the NASDAQ Global Market, the trading volume in Community's common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Community's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of Community's common stock, significant sales of Community's common stock, or the expectation of these sales, could cause its stock price to fall.

### ***Community's stock price is affected by a variety of factors.***

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Community's stock price can fluctuate significantly in response to a variety of factors discussed in this section, including, among other things:

Actual or anticipated variations in quarterly results of operations.

Recommendations by securities analysts.

Operating and stock price performance of other companies that investors deem comparable to Community's company.

News reports relating to trends, concerns and other issues in the financial services industry.

Perceptions in the marketplace regarding Community's company and/or its competitors.

### ***Community's common stock is not an insured deposit.***

Community's common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in Community's common stock is inherently risky for the reasons described in this Risk Factors section and elsewhere in this joint proxy statement-prospectus and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire Community's common stock, you may lose some or all of your investment.



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**THE SPECIAL MEETINGS**

**Joint Proxy Statement Prospectus**

This joint proxy statement prospectus is being furnished to you in connection with the solicitations of proxies by each of our boards of directors in connection with our respective special meetings of stockholders.

This joint proxy statement prospectus is first being furnished to our stockholders on or about September 6, 2006.

**Date, Time and Place of the Special Meetings**

The special meetings are scheduled to be held as follows:

For Community Stockholders:  
October 9, 2006

12:00 p.m.

400 S. 4<sup>th</sup> Street, Suite 110

Las Vegas, Nevada

For Valley Stockholders:  
October 6, 2006

8:00 a.m.

1300 S. Jones Blvd.

Las Vegas, Nevada

**Purpose of the Special Meetings**

*Valley.* At the Valley special meeting, Valley's stockholders will be asked to consider and vote upon a proposal to adopt the merger agreement.

*Community.* At the Community special meeting, Community's stockholders will be asked to consider and vote upon a proposal to adopt the merger agreement. In addition, Community's stockholders will be asked to consider and vote upon a proposal to approve an amendment to Community's articles of incorporation increasing the number of authorized shares of Community common stock to 30,000,000.

**Record Date**

The board of directors of Valley has selected the close of business on August 21, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at the Valley special meeting. At that date, there were 2,827,881 outstanding shares of Valley common stock entitled to vote at Valley's special meeting. The board of directors of Community has selected the close of business on September 5, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Community special meeting. At that date there were 7,430,484 shares of Community common stock entitled to vote at Community's special meeting.

**Votes Required**

*Valley.* The required quorum for the transaction of business at the Valley special meeting is a majority of the shares of Valley's common stock entitled to vote at the special meeting. The affirmative vote of holders of a majority of the shares of Valley common stock outstanding on the record date is required to adopt the merger agreement. Shares voted on a matter are treated as being present for purposes of establishing a quorum. Abstentions and broker nonvotes will be counted for determining a quorum, but will not be counted for purposes of determining the number of votes cast FOR or AGAINST any matter.

*Community.* The required quorum for the transaction of business at the Community special meeting is a majority of the shares of Community's common stock entitled to vote at the special meeting. The affirmative vote of holders of a majority of the shares of Community common stock outstanding on the record date is required to adopt the merger agreement and to approve the amendment to its articles of incorporation. Shares voted on a matter are treated as being present for purposes of establishing a quorum. Abstentions and broker non-votes will be counted for determining a quorum, but will not be counted for purposes of determining the number of votes cast FOR or AGAINST any matter.



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### **Proxies**

All shares of Valley common stock and Community common stock represented by properly executed proxies received before or at the applicable special meeting will, unless revoked, be voted in accordance with the instructions indicated on those proxies. If no instructions are indicated on a properly executed proxy card, the shares will be voted **FOR** adoption of the merger agreement and, in the case of Community, for approval of the amendment to its articles of incorporation. If you return a properly executed proxy card and have identified that you have abstained from voting, your Valley common stock or Community common stock represented by the proxy will be considered present at the applicable special meeting for purposes of determining a quorum, but will be considered a vote against the proposals. We urge you to mark each applicable box on the proxy card to indicate how to vote your shares.

If your shares are held in an account at a broker or a bank, you must instruct the broker or bank how to vote your shares. If an executed proxy returned by a broker or a bank holding shares indicates that the broker or bank does not have discretionary authority to vote on a particular matter, the shares will be considered present at the meeting for purposes of establishing a quorum, but will be considered a vote against the proposals. This is called a broker non-vote. Your broker or bank will vote your shares only if you provide instructions on how to vote by following the instructions provided to you by your broker or bank.

Because approval of the merger by Valley and approval of the merger and the amendment to Community's articles of incorporation by Community requires the affirmative vote of a majority of the outstanding shares of Valley and Community, respectively, abstentions, failures to vote and broker non-votes will have the same effect as a vote against the merger.

Neither Community nor Valley expects that any matter other than the proposal to adopt the merger agreement and, in the case of Community's special meeting, the proposal to amend Community's articles of incorporation, will be brought before its special meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to those matters, unless you withhold authority to do so on the proxy card or voting instruction card.

Any holder of common stock may revoke a proxy at any time before it is voted by:

filing with the secretary of Valley at 1300 S. Jones Blvd, Las Vegas, Nevada 89146 an instrument revoking the proxy;

filing with the secretary of Community at 400 S. 4<sup>th</sup> Street, Suite 215, Las Vegas, Nevada 89101 an instrument revoking the proxy;

returning a duly executed proxy bearing a later date; or

attending your special meeting and voting in person, provided you notify the Secretary of your company before voting begins that you are revoking your proxy and voting in person. Attendance at your special meeting will not by itself constitute revocation of a proxy.

### **Solicitation of Proxies**

In addition to soliciting proxies by mail, each of our respective officers, directors and employees, without receiving any additional compensation, may solicit proxies by telephone or fax, in person or by other means. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of our respective common stock held of record by such persons, and such brokerage firms, custodians, nominees and fiduciaries will be reimbursed for reasonable out-of-pocket expenses incurred by them in connection therewith. Community will pay all expenses related to printing and filing this joint proxy statement prospectus, including all filing fees of the SEC.

**Do not send your Valley stock certificates in the envelope provided for returning your proxy card. The stock certificates should only be forwarded to the exchange agent with the letter of transmittal form which will be mailed to you separately.**



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### **THE MERGER**

#### **General**

As used in this section, the term "the merger" means the merger of Valley with and into Community, and the term "bank merger" means the merger of Valley Bank with and into Community Bank of Nevada. The merger and bank merger are governed by the Agreement to Merge and Plan of Reorganization dated as of June 28, 2006 (the "merger agreement"). Stockholders of Valley will have the election to receive shares of common stock of Community, cash or a combination in exchange for their shares of Valley.

This section of the joint proxy statement prospectus describes certain aspects of the merger, including the background of the merger and Valley's and Community's reasons for the merger.

#### **Background of the Merger**

Valley, headquartered in Las Vegas, Nevada, has been providing banking services to individuals and small-to-medium-sized businesses in Clark County and the surrounding areas of Nevada since 1998. Valley Bank is a state chartered commercial bank with four branches in Clark County (two in Las Vegas and two in Henderson) and one branch in Pahrump, NV, west of Las Vegas near the California border. Valley went public (NASDAQ: VLLY) on September 23, 2004 with a \$19.1 million initial public offering of common stock at \$18.00 per share.

Several financial institutions have, from time to time, expressed interest in acquiring Valley, though never upon terms the board found acceptable. However, the board and senior management determined that Valley should consider offers that would maximize stockholder value consistent with its fiduciary duties while at the same time continuing to build a successful and profitable banking franchise.

Community and Valley first discussed the opportunity of a merger on May 5, 2006, when Edward M. Jamison, Chairman & CEO of Community, met with Barry Hulin, CEO of Valley, to discuss the potential of a business combination. At that meeting it was determined that Community might be interested in pursuing a discussion concerning an acquisition of Valley. Mr. Hulin indicated that Community should put together an indication of interest outlining the terms of the proposed transaction to share with the Valley board of directors.

Community sent a proposal dated May 12, 2006, to Valley with a proposed price of \$44.00 per share, subject to a full due diligence review. The letter, based on publicly available information, proposed a 75% stock and 25% cash consideration mix and an expiration date of May 26th. The proposal also requested a forty-five day exclusivity period to mutually negotiate a transaction. Community, who had been working with Keefe, Bruyette & Woods, Inc., or KBW, on analyzing the transaction prior to the letter, formally engaged KBW on May 12, 2006.

At its regular monthly board meeting held on May 17, 2006, the Valley board discussed the indication of interest from Community dated May 12, 2006, and authorized Barry Hulin to engage Sandler O'Neill + Partners, L.P., to help analyze the proposed transaction, and to negotiate, with the assistance of Sandler O'Neill, an enhanced per share consideration. Community subsequently revised its indication of interest and submitted a letter to Valley on May 24, 2006, with a proposed price of \$46.00 per share. The revised indication of interest was discussed by the Valley board at a special meeting on May 25, 2006. At the May 25, 2006, board meeting, the Valley board of directors received presentations from Sandler O'Neill and Graham & Dunn, legal counsel to Valley, regarding the merits and considerations of a potential merger with Community. At the May 25, 2006, board meeting, Valley agreed to exchange financial information, conduct mutual due diligence and begin negotiating a definitive agreement. Community and Valley executed Confidentiality Agreements on May 25, 2006.

After completing due diligence and additional meetings and discussions, the merger agreement was negotiated. The transaction was approved by the Community board of directors on June 27, 2006 and the Valley board of directors on June 28, 2006. The definitive agreement was executed on June 28, 2006 by both parties and the transaction was publicly announced.

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**Recommendation of, and Factors Considered by, Valley's Board of Directors**

The Valley board of directors believes that the terms of the merger are fair and are in the best interests of Valley and its stockholders and recommends that the stockholders of Valley vote FOR the approval of the merger.

At a meeting of Valley's board of directors on June 28, 2006, after due consideration, the board:

determined that the merger agreement and the merger are fair and in the best interests of Valley and its stockholders; and

approved the merger agreement.

In reaching its conclusion to proceed with the merger, Valley's board of directors considered information and advice from several specialists, including investment bankers and legal counsel. All material facts considered by Valley's board of directors have been disclosed. In approving the merger agreement, the board of directors considered a number of factors, including the following:

the consideration provided for in the merger agreement represents fair consideration;

the terms of the merger agreement and other documents to be executed in connection with the merger, including the closing conditions and termination rights, are fair;

the capital of the consolidated institution will provide a better opportunity to expand and leverage the overall expense structure of the consolidated company;

the current and prospective economic environment and increasing regulatory and competitive burdens and constraints facing financial institutions generally, and the likely effect of these factors on Valley on both a stand-alone basis and in the context of the proposed merger;

the consolidation occurring in the banking industry and the increased competition from other financial institutions in the Las Vegas area;

the similarity of corporate cultures and other attributes of Valley and Community;

the opportunity for Valley's stockholders to participate in the potential future growth in value of the combined company as stockholders of Community following the merger;

the board's review, with its legal and financial advisors, of alternatives to the merger, the range and possible value to Valley's stockholders obtainable through such alternatives and the timing and likelihood of such alternatives;

the expertise of Community's senior management, its competitive position in the geographic market served by both Valley and Community; and

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the financial analysis and presentation of Valley's investment banking firm and its opinion that the merger consideration to be received is fair, from a financial point of view, to Valley's stockholders.

Valley's board of directors also identified and considered a number of risks and uncertainties in its deliberations concerning the merger, but concluded that the anticipated benefits of the merger were likely to outweigh these risks. The risks included:

the possible disruption to Valley's business that may result from the announcement of the transaction and the resulting distraction of its management's attention from the day-to-day operations of Valley's business;

the difficulty inherent in integrating two businesses and the risk that the cost efficiencies, synergies and other benefits expected to be obtained as a result of the merger may not be fully realized;

the restrictions contained in the merger agreement on the operation of Valley's business during the period between the signing of the merger agreement and the completion of the merger;

the termination fee to be paid by Valley if the merger agreement is terminated under certain circumstances;

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the possibility that the merger might not be completed and the effect of the resulting public announcement of the termination of the merger agreement on, among other things, Valley's operating results, particularly in light of the costs incurred in connection with the transaction;

the fact that the exact per share consideration to be received by Valley stockholders will not be known until shortly prior to the closing of the merger, and that the merger consideration is largely comprised of Community common stock, the trading price of which is subject to volatility.

Although each member of Valley's board of directors individually considered these and other factors, the board of directors did not collectively assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. The board of directors collectively made its determination based on the conclusion reached by its members, in light of the facts that each of them considered appropriate, that the merger is in the best interests of Valley and its stockholders.

At the June 28, 2006 meeting, Valley's board of directors voted eight to three to approve the merger agreement. Subsequently, two of the directors who had not voted to approve the merger agreement, on their own initiative, advised Valley that upon further reflection they desired to change their votes and to approve the merger agreement. Director Gary Vause, who did not vote to approve the merger agreement, advised the board of directors that he believed that Valley had business prospects as an independent community banking institution which had not fully matured, and that he believed that stockholder value could be added by remaining independent.

Valley's board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the board of directors concluded that the potential positive factors outweighed the potential risks of completing the merger.

It should be noted that this explanation of the board of directors' reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Forward Looking Statements."

**For the reasons set forth above, the Valley board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Valley and its stockholders, and approved and adopted the merger agreement. The Valley board of directors recommends that the Valley stockholders vote FOR the adoption of the merger agreement.**

**Recommendation of, and Factors Considered by, Community's Board of Directors**

The Community board of directors believes that the terms of the merger are fair, and are in the best interests of Community and its stockholders and unanimously recommends that the stockholders of Community vote FOR the approval of the merger.

At a meeting of Community's board of directors on June 27, 2006, after due consideration, the board:

determined that the merger agreement and the merger are fair and in the best interests of Community and its stockholders; and

approved the merger agreement.

In reaching its conclusion to proceed with the merger, Community's board of directors considered information and advice from several specialists, including investment bankers and legal counsel. All material facts considered by Community's board of directors have been disclosed. In approving the merger agreement, the board of directors considered a number of factors, including the following:

the board's familiarity with and review of Valley's business, operations, financial condition and earnings on a historical and prospective basis, including, without limitation, its potential growth and profitability;

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the current and prospective economic and competitive environment facing the financial services industry generally;

the fact that the transaction will expand Community's presence in the high growth Clark County, Nevada market and establish its presence in Nye County, Nevada;

the fact that Valley's operating philosophy and business lines complement Community's operating philosophy and business lines;

the belief that the cultural philosophy of Valley's management team and staff fits well with Community's strategic initiatives;

the compatibility of the merger with the long-term community banking strategy of Community;

the opinion of KBW that the financial consideration to be paid in the merger is fair to Community from a financial point of view; and

the belief that the transaction should be accretive to earnings per share in the first year after completion of the merger.

The foregoing discussion of the information and factors considered by Community's board of directors is not intended to be exhaustive, but is believed to include the material facts considered by the board. In reaching its determination to approve and recommend the merger agreement, Community's board of directors did not assign any relative weights to the foregoing factors and individual directors may have given different weights to different factors.

**For the reasons set forth above, the Community board of directors unanimously determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Community and its stockholders, and approved and adopted the merger agreement. The Community board of directors unanimously recommends that the Community stockholders vote FOR the adoption of the merger agreement.**

### **Fairness Opinions**

*Decision by Each Board to Engage Financial Advisor.* Both Valley and Community were represented by independent financial advisors in connection with the merger. Valley engaged Sandler O'Neill + Partners, L.P., as its financial advisor. Community engaged Keefe, Bruyette & Woods, Inc., as its financial advisor. Each company's respective financial advisor has issued a fairness opinion with respect to the consideration to be paid in the merger. A discussion of each firm's opinion follows.

#### *Opinion of Valley's Financial Advisor.*

By letter dated May 12, 2006, Valley retained Sandler O'Neill to act as its financial advisor in connection with a possible business combination with Community. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to Valley in connection with the proposed merger and participated in certain of the negotiations leading to the merger agreement. At the June 28, 2006 meeting at which Valley's board considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, subsequently confirmed in writing, that, as of such date, the merger consideration was fair to Valley's stockholders from a financial point of view. Sandler O'Neill has confirmed its June 28, 2006 opinion by delivering to the board a written opinion dated the date of this joint proxy statement-prospectus. In rendering its updated opinion, Sandler O'Neill confirmed the appropriateness of its reliance on the analyses used to render its earlier opinion by reviewing the assumptions upon which its analyses were based, performing procedures to



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update certain of its analyses and reviewing the other factors considered in rendering its opinion. **The full text of Sandler O'Neill's updated opinion is attached as Appendix B to this joint proxy statement-prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. We urge Valley stockholders to read the entire opinion carefully in connection with their consideration of the proposed merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the Valley board and is directed only to the fairness of the merger consideration to Valley stockholders from a financial point of view. It does not address the underlying business decision of Valley to engage in the merger or any other aspect of the merger and is not a recommendation to any Valley stockholder as to how such stockholder should vote at the special meeting with respect to the merger or any other matter.**

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

- (1) the merger agreement;
- (2) certain publicly available financial statements and other historical financial information of Valley that they deemed relevant;
- (3) certain publicly available financial statements and other historical financial information of Community that they deemed relevant;
- (4) consensus earnings per share estimates for Valley for the years ending December 31, 2006 and 2007, as published by First Call and reviewed with the senior management of Valley and internal financial projections for the years ending December 31, 2006, 2007 and 2008 as provided by senior management of Valley;
- (5) consensus earnings per share estimates for Community for the years ending December 31, 2006 and 2007, as published by First Call and reviewed with the senior management of Community and internal financial projections for the years ending December 31, 2006, 2007, 2008 and 2009 as provided by senior management of Community;
- (6) the pro forma financial impact of the merger on Community, based on assumptions relating to transaction expenses, purchase accounting adjustments, revenue enhancements and cost savings determined by senior managements of Valley and Community;
- (7) the publicly reported historical price and trading activity for Valley's and Community's common stock, including a comparison of certain financial and stock market information for Valley and Community with similar publicly available information for certain other companies the securities of which are publicly traded;
- (8) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
- (9) the current market environment generally and the banking environment in particular; and
- (10) such other information, financial studies, analyses and investigations and financial, economic and market criteria as they considered relevant.

Sandler O'Neill also discussed with certain members of senior management of Valley the business, financial condition, results of operations and prospects of Valley and held similar discussions with certain members of senior management of Community regarding the business, financial

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condition, results of operations and prospects of Community.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill assumed and relied upon the accuracy and completeness of all the financial information, analyses and other information that was



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publicly available or otherwise furnished to, reviewed by or discussed with it and further relied on the assurances of senior management of Valley and Community that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. Sandler O'Neill was not asked to and did not independently verify the accuracy or completeness of any of such information and they did not assume any responsibility or liability for its accuracy or completeness. Sandler O'Neill did not make an independent evaluation or appraisal of the assets, the collateral securing assets or the liabilities, contingent or otherwise, of Valley or Community or any of their respective subsidiaries, or the collectibility of any such assets, nor was it furnished with any such evaluations or appraisals. Sandler O'Neill is not an expert in the evaluation of allowances for loan losses and it did not make an independent evaluation of the adequacy of the allowance for loan losses of Valley or Community, nor did it review any individual credit files relating to Valley or Community. With Valley's consent, Sandler O'Neill assumed that the respective allowances for loan losses for both Valley and Community were adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. In addition, Sandler O'Neill did not conduct any physical inspection of the properties or facilities of Valley or Community.

Sandler O'Neill's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of the opinion. Sandler O'Neill assumed, in all respects material to its analysis, that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived. Sandler O'Neill also assumed, with Valley's consent, that there had been no material change in Valley's and Community's assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to them, that Valley and Community will remain as going concerns for all periods relevant to its analyses, and that the merger will qualify as a tax-free reorganization for federal income tax purposes. With Valley's consent, Sandler O'Neill relied upon the advice Valley received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

In rendering its June 28, 2006 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Valley or Community and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Valley or Community and the companies to which they are being compared.

The internal financial projections used and relied upon by Sandler O'Neill in its analyses for Valley were provided by Valley senior management who confirmed to Sandler O'Neill that those financial projections reflected the best currently available estimates and judgments of the future financial performance of Valley. With respect to the financial projections and growth estimates for Community, with Valley's consent, Sandler O'Neill used and relied on the financial projections and growth estimates provided by the senior management of Community and those financial projections and growth estimates reflected the best currently available estimates

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and judgments of the future financial performance of Community. With respect to such financial projections and all of the projections of transaction costs, purchase accounting adjustments and expected cost savings relating to the merger, the managements of the respective institutions confirmed to Sandler O Neill that they reflected the best currently available estimates and judgments of such managements of the future financial performance of Valley and Community, respectively, and Sandler O Neill assumed for purposes of its analyses that such performances would be achieved. Sandler O Neill expressed no opinion as to such financial projections or the assumptions on which they were based.

In performing its analyses, Sandler O Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Valley, Community and Sandler O Neill. The analyses performed by Sandler O Neill are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Sandler O Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Valley board at the board's June 28, 2006 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O Neill's analyses do not necessarily reflect the value of Valley's common stock or Community's common stock or the prices at which Valley's or Community's common stock may be sold at any time.

*Summary of Proposal.* Sandler O Neill reviewed the financial terms of the proposed transaction. Community is offering stockholders of Valley common stock a fixed amount of cash (approximately \$32.5 million in aggregate) and a varying amount of shares of Community common stock based on the Community average closing price. If the Community average closing price is between \$28.26 and \$34.54, the consideration to be paid per Valley common share will be \$46.00. The merger consideration is subject to certain possible adjustments as follows: if the Community Average Price is greater than \$34.54, the amount of Community shares issued to holders of Valley common stock will be fixed at 0.9988 per Valley share. If the Community Average Price is less than \$28.26, the amount of Community shares issued to holders of Valley common stock will be fixed at 1.2208 per Valley share. Based upon the closing price of Community's common stock on June 27, 2006 of \$30.29, Sandler O Neill calculated implied consideration of \$46.00 per share of Valley common stock.

Based upon financial information for Valley for the twelve months ended March 31, 2006, Sandler O Neill calculated the following ratios:

**Transaction Ratios**

Transaction price/Last Twelve Months Earnings Per Share	22.1x
Transaction price/mean First Call 2006 EPS estimates	19.1x
Transaction price/tangible book value per share	299%
Transaction price/stated book value per share	299%
Tangible book premium/core deposits (1)	36.7%
Premium to market price (2)	19.7%

(1) Assumes 73.9% of Valley's deposits are core deposits.

(2) Based on Valley's closing price of \$38.43 as of June 27, 2006.

For purposes of Sandler O Neill's analyses, earnings per share were based on fully diluted earnings per share. The aggregate transaction value was approximately \$137.4 million, based upon 2,827,881 shares of Valley common stock outstanding and including the intrinsic value of options to purchase an aggregate of 205,957 shares with a weighted average strike price of \$10.38.

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*Comparable Company Analysis.* Sandler O Neill used publicly available information to compare selected financial and market trading information for Valley and a group of financial institutions headquartered in Southern California and the greater Las Vegas area selected by Sandler O Neill, or the Valley Peer Group. The Valley Peer Group consisted of the following publicly traded commercial banks with total assets between \$200 million and \$900 million, last twelve months return on average assets greater than 1.0% and tangible equity to tangible assets greater than 7.0%:

1st Pacific Bank of California	First Commerce Bancorp
Business Bank Corporation	Pacific City Bank
Canyon National Bank	Saehan Bancorp
Desert Community Bank	Silver State Bancorp

The analysis compared financial information for Valley and the median data for the commercial banks in the Valley Peer Group. The table below sets forth the comparative data as of and for the twelve months ending March 31, 2006, with pricing data as of June 27, 2006:

	<b>Valley</b>	<b>Valley Peer Group Median</b>
Total assets ( <i>in millions</i> )	\$ 407.7	\$ 360.4
Tangible equity/tangible assets	10.67%	8.52%
LTM return on average assets	1.68%	1.49%
LTM return on average equity	15.14%	17.21%
Price/tangible book value per share	249.78%	257.72%
Price/LTM EPS	18.48x	18.06x
Market capitalization ( <i>in millions</i> )	\$ 108.7	\$ 91.6

Sandler O Neill used publicly available information to compare selected financial and market trading information for Community and a group of financial institutions headquartered in Southern California and the greater Las Vegas area selected by Sandler O Neill, or the Community Peer Group. The Community Peer Group consisted of the following publicly traded commercial banks with total assets between \$500 million and \$5.0 billion, last twelve months return on average assets greater than 1.0% and tangible equity to tangible assets greater than 7.0%:

Desert Community Bank	Saehan Bancorp
First Community	Silver State Bancorp
Nara Bancorp Inc.	Western Alliance Bancorp
Preferred Bank	

The analysis compared financial information for Community and the median data for the commercial banks in the Community Peer Group. The table below sets forth the comparative data as of and for the twelve months ending March 31, 2006, with pricing data as of June 27, 2006:

	<b>Community</b>	<b>Community Peer Group Median</b>
Total assets ( <i>in millions</i> )	\$ 960.2	\$ 1,159.1
Tangible equity/tangible assets	9.25%	8.09%
LTM return on average assets	1.43%	1.67%
LTM return on average equity	11.55%	15.92%
Price/tangible book value per share	258.31%	328.66%

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Price/LTM EPS	19.80x	18.70x
Price/estimated 2006 EPS	15.38x	16.28x
Market capitalization ( <i>in millions</i> )	\$ 223.7	\$ 346.2

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*Stock Trading History.* Sandler O'Neill reviewed the history of the reported trading prices and volume of Valley's common stock and the relationship between the movements in the prices of Valley's common stock to movements in certain stock indices, including the Standard & Poor's 500 Index, the NASDAQ Bank Index, the Standard & Poor's Bank Index and the median performance of the Valley Peer group of publicly traded commercial banks selected by Sandler O'Neill (listed in the "Comparable Company Analysis" above). During the one-year period ended June 27, 2006, Valley's common stock underperformed the Valley Peer Group and outperformed the other indices to which it was compared.

**Valley's One-Year Stock Performance**

	<b>Beginning Value June 24, 2005</b>	<b>Ending Value June 27, 2006</b>
Valley	100.00%	130.36%
Valley Peer Group	100.00	136.03
NASDAQ Bank Index	100.00	104.08
S&P Bank Index	100.00	103.01
S&P 500 Index	100.00	104.00

During the period from September 23, 2004, the date of Valley's initial public offering, to June 27, 2005, Valley's common stock outperformed each of the indices to which it was compared.

**Valley's Stock Performance Since Initial Public Offering**

	<b>Beginning Value September 23, 2004</b>	<b>Ending Value June 27, 2006</b>
Valley	100.00%	182.74%
Valley Peer Group	100.00	182.61
NASDAQ Bank Index	100.00	112.60
S&P Bank Index	100.00	107.40
S&P 500 Index	100.00	111.80

Sandler O'Neill also reviewed the history of the reported trading prices and volume of Community's common stock and the relationship between the movements in the prices of Community's common stock to movements in certain stock indices, including the Standard & Poor's 500 Index, the NASDAQ Bank Index, the Standard & Poor's Bank Index and the median performance of the Community Peer Group of publicly traded commercial banks selected by Sandler O'Neill (listed in the "Comparable Company Analysis" above). During the one-year period ended June 27, 2006, Community's common stock underperformed each of the indices to which it was compared.

**Community's One-Year Stock Performance**

	<b>Beginning Value June 24, 2005</b>	<b>Ending Value June 27, 2006</b>
Community	100.00%	102.75%
Community Peer Group	100.00	132.38
NASDAQ Bank Index	100.00	104.08
S&P Bank Index	100.00	104.00
S&P 500 Index	100.00	103.01

During the period from December 10, 2004, the date of Community's initial public offering, to June 27, 2005, Community's common stock underperformed the Community Peer group and Standard & Poor's 500 Index and outperformed the NASDAQ Bank Index and the Standard & Poor's Bank Index.

**Table of Contents****Community's Stock Performance Since Initial Public Offering**

	Beginning Value December 10, 2004	Ending Value June 27, 2006
Community	100.00%	103.20%
Community Peer Group	100.00	139.05
NASDAQ Bank Index	100.00	98.43
S&P Bank Index	100.00	101.13
S&P 500 Index	100.00	104.31

*Analysis of Selected Merger Transactions.* Sandler O'Neill reviewed fifty-nine merger transactions announced nationwide from January 1, 2005 through June 27, 2006 involving commercial banks as acquired institutions with transaction values greater than \$50 million and less than \$250 million. Sandler O'Neill also reviewed eleven merger transactions announced during the same period involving commercial banks in the Western Region (Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington and Wyoming) with transaction values greater than \$50 million and less than \$250 million. Sandler O'Neill reviewed the multiples of transaction price at announcement to last twelve months' earnings per share, transaction price to book value per share, transaction price to tangible book value per share, tangible book premium to core deposits and premium to market price and computed high, low, mean and median multiples and premiums for the transactions. The median multiples were applied to Valley's financial information as of and for the twelve months ended March 31, 2006. As illustrated in the following table, Sandler O'Neill derived an imputed range of values per share of Valley's common stock of \$34.24 to \$48.75 based upon the median multiples for nationwide commercial bank transactions and \$33.73 to \$47.76 based upon the median multiples for Western Region commercial bank transactions. Based upon the closing price of Community's common stock on June 27, 2006 of \$30.29, the implied transaction value of the merger as calculated by Sandler O'Neill was \$46.00 per share.

**Nationwide & Western Region Transaction Multiples**

	Nationwide		Western Region	
	Median Multiple	Implied Value	Median Multiple	Implied Value
Transaction price/LTM EPS	23.44x	\$ 48.75	19.51x	\$ 40.57
Transaction price/book value	281.27%	\$ 43.28	301.68%	\$ 46.42
Transaction price/tangible book value	283.55%	\$ 43.63	301.68%	\$ 46.42
Tangible book premium/core deposits	22.76%	\$ 34.24	22.16%	\$ 33.73
Premium to market	22.19%	\$ 46.96	24.27%	\$ 47.76

*Net Present Value Analysis.* Sandler O'Neill performed an analysis that estimated the present value of the projected future stream of after-tax net income of Valley through December 31, 2008 under various circumstances, assuming that Valley performed in accordance with the earnings projections generated by and reviewed with management. The analysis assumed that Valley did not pay a cash dividend to its stockholders. To approximate the terminal value of Valley common stock at December 31, 2008, Sandler O'Neill applied price to earnings multiples ranging from 14x to 22x and multiples of price to tangible book value ranging from 150% to 350%. The income streams and terminal values were then discounted to present values using different discount rates ranging from 11% to 17% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Valley common stock. Sandler O'Neill also varied Valley's forecasted net income using a range of 25% under forecast to 25% over forecast, and used a discount rate of 13.49% for this analysis. As illustrated in the following tables, this analysis indicated an imputed range of values of Valley common stock of \$35.68 to \$64.80 per share when applying the price to earnings multiples, \$24.18 to \$65.20 when applying multiples of tangible book value and \$29.10 to \$76.21 when varying the projected net income forecast. Based upon the closing price of Community's common stock on June 27, 2006 of \$30.29, the implied transaction value of the merger as calculated by Sandler O'Neill was \$46.00 per share.

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Discount Rate	Multiple of Price / Earnings					
		14.0x	16.0x	18.0x	20.0x	22.0x
	11.00%	\$ 41.24	\$ 47.13	\$ 53.02	\$ 58.91	\$ 64.80
	12.00	40.23	45.98	51.73	57.47	63.22
	13.00	39.26	44.87	50.48	56.09	61.70
	14.00	38.32	43.80	49.27	54.74	60.22
	15.00	37.41	42.76	48.10	53.45	58.79
	16.00	36.53	41.75	46.97	52.19	57.41
	17.00	35.68	40.78	45.87	50.97	56.07

Discount Rate	Multiple of Price / Tangible Book Value					
		150%	200%	250%	300%	350%
	11.00%	\$ 27.94	\$ 37.26	\$ 46.57	\$ 55.89	\$ 65.20
	12.00	27.26	36.35	45.44	54.53	63.62
	13.00	26.61	35.47	44.34	53.21	62.08
	14.00	25.97	34.62	43.28	51.94	60.59
	15.00	25.35	33.80	42.25	50.70	59.16
	16.00	24.76	33.01	41.26	49.51	57.76
	17.00	24.18	32.24	40.30	48.36	56.42

		Multiple of Price / Earnings					
			14.0x	16.0x	18.0x	20.0x	22.0x
Under Budget	-25.00%	\$ 29.10	\$ 33.25	\$ 37.41	\$ 41.57	\$ 45.72	
	-20.00	31.04	35.47	39.90	44.34	48.77	
	-15.00	32.98	37.69	42.40	47.11	51.82	
	-10.00	34.92	39.90	44.89	49.88	54.87	
	-5.00	36.86	42.12	47.39	52.65	57.92	
Match Budget	0.00	38.80	44.34	49.88	55.42	60.97	
	5.00	40.74	46.56	52.38	58.19	64.01	
	10.00	42.68	48.77	54.87	60.97	67.06	
	15.00	44.62	50.99	57.36	63.74	70.11	
	20.00	46.56	53.21	59.86	66.51	73.16	
Exceed Budget	25.00	48.50	55.42	62.35	69.28	76.21	

Sandler O'Neill also performed an analysis that estimated the present value of the projected future stream of after-tax net income of Community through December 31, 2008 under various circumstances, assuming that Community performed in accordance with the earnings projections generated by and reviewed with management. The analysis assumed that Community did not pay a cash dividend to its stockholders. To approximate the terminal value of Community common stock at December 31, 2008, Sandler O'Neill applied price to earnings multiples ranging from 14x to 22x and price to tangible book value ranging from 150% to 350%. The income streams and terminal values were then discounted to present values using different discount rates ranging from 11% to 17% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Community common stock. Sandler O'Neill also varied Community's forecasted net income using a range of 25% under forecast to 25% over forecast, and used a discount rate of 13.49% for this analysis. As illustrated in the following tables, this analysis indicated an imputed range of values per share of Community common stock of \$28.28 to \$51.37 when applying the price to earnings multiples, \$17.52 to \$47.25 when applying multiples of tangible book value and \$23.07 to \$60.41 when varying the projected net income forecast. The closing value of Community common stock on June 27, 2006 was \$30.29 per share.

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		<b>Multiple of Price / Earnings</b>				
Discount Rate		14.0x	16.0x	18.0x	20.0x	22.0x
	11.00%	\$ 32.69	\$ 37.36	\$ 42.03	\$ 46.70	\$ 51.37
	12.00	31.89	36.45	41.01	45.56	50.12
	13.00	31.12	35.57	40.01	44.46	48.91
	14.00	30.38	34.72	39.06	43.40	47.74
	15.00	29.66	33.89	38.13	42.37	46.60
	16.00	28.96	33.10	37.23	41.37	45.51
	17.00	28.28	32.32	36.36	40.40	44.45

		<b>Multiple of Price / Tangible Book Value</b>				
Discount Rate		150%	200%	250%	300%	350%
	11.00%	\$ 20.25	\$ 27.00	\$ 33.75	\$ 40.50	\$ 47.25
	12.00	19.75	26.34	32.92	39.51	46.09
	13.00	19.28	25.70	32.13	38.56	44.98
	14.00	18.82	25.09	31.36	37.63	43.90
	15.00	18.37	24.49	30.62	36.74	42.86
	16.00	17.94	23.92	29.90	35.88	41.85
	17.00	17.52	23.36	29.20	35.04	40.88

		<b>Multiple of Price / Earnings</b>				
		14.0x	16.0x	18.0x	20.0x	22.0x
Under Budget	-25.00%	\$ 23.07	\$ 26.36	\$ 29.66	\$ 32.95	\$ 36.25
	-20.00	24.60	28.12	31.63	35.15	38.66
	-15.00	26.14	29.88	33.61	37.34	41.08
	-10.00	27.68	31.63	35.59	39.54	43.50
	-5.00	29.22	33.39	37.56	41.74	45.91
Match Budget	0.00	30.75	35.15	39.54	43.94	48.33
	5.00	32.29	36.91	41.52	46.13	50.75
	10.00	33.83	38.66	43.50	48.33	53.16
	15.00	35.37	40.42	45.47	50.53	55.58
	20.00	36.91	42.18	47.45	52.72	57.99
Exceed Budget	25.00	38.44	43.94	49.43	54.92	60.41

In connection with its analyses, Sandler O'Neill considered and discussed with the Valley board how the present value analyses would be affected by changes in the underlying assumptions. Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.



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*Contribution Analysis.* Sandler O Neill reviewed the relative contributions to be made by Valley and Community to the combined institution based on financial information of both companies as of March 31, 2006. The percentage of pro forma common shares owned was determined using Community's stock price as of June 27, 2006. This analysis indicated that the implied contributions to the combined entity were as follows:

*Contribution Analysis*

	Valley	Community
Assets	30%	70%
Net loans	30%	70%
Core deposits (1)	28%	72%
Tangible equity	33%	67%
Last twelve months net income	36%	64%
Estimated 2006 net income (2)	33%	67%
Estimated 2007 net income (2)	34%	66%
Pro forma common ownership (3)	36%	64%

- (1) Assumes 74% of Valley's deposits are core deposits and 89% of Community's deposits are core deposits.
- (2) Based on management's internal forecast for Valley and Community respectively.
- (3) Based on an implied stock exchange ratio of 1.4650 (at the midpoint of the pricing collar) assuming a 100% stock transaction.

*Pro Forma Merger Analysis.* Sandler O Neill analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger closes in the fourth quarter of 2006, (2) 100% of Valley's shares are exchanged for Community common stock and cash (as described above under Summary of Proposal), (3) earnings per share projections for Valley and Community are consistent with internal projections and guidance as discussed with management of both companies for the years ended December 31, 2006, 2007 and 2008, and (4) purchase accounting adjustments, charges and transaction costs associated with the merger and cost savings determined by the senior managements of Community and Valley. This analysis was performed using three potential exchange ratios for the stock portion of the consideration determined pursuant to the merger agreement based upon the Community average closing price. In order to illustrate the pro forma accretive/dilutive impact of the transaction at those exchange ratios, Sandler O Neill used Community average closing prices equal to \$28.26, \$30.29 (the closing price of Community's common stock as of June 27, 2006) and \$34.54. The results of the analyses illustrate the number of shares issuable in the merger at the closing price of Community's common stock as of June 27, 2006 and the maximum and minimum number of shares, respectively and calculates the related accretion to earnings per share at December 31, 2007 (the first full year following completion of the merger) and dilution to tangible book value at December 31, 2006 (the assumed closing date of the merger). The following tables show the results of those analyses at the alternative exchange ratios:

Community Average Price	Stock	Shares Issued	Transaction	2007 EPS Accretion	12/31/05
	Exchange Ratio		Value		TBV Dilution
\$28.26	1.2208	3,452,296	\$ 46.00	1.42%	(28.0%)
\$30.29	1.1390	3,220,928	\$ 46.00	3.74%	(26.4%)
\$34.54	0.9988	2,824,606	\$ 46.00	7.96%	(23.3%)

The actual results achieved by the combined company may vary from projected results and the variations may be material.

In connection with its analyses, Sandler O Neill considered and discussed with the Valley board how the pro forma analyses would be affected by changes in the underlying assumptions, including variations with respect to the growth rate of earnings per share of each company. Sandler O Neill noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

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Valley has agreed to pay Sandler O'Neill a transaction fee in connection with the merger of approximately \$1,000,000, of which \$150,000 has been paid and the balance of which is contingent, and payable, upon closing of the merger. The \$150,000 paid to Sandler O'Neill will be credited against that portion of the transaction fee due upon closing of the merger. Of the \$150,000 Valley has paid to Sandler O'Neill, \$125,000 was related to rendering its opinion. Valley has also agreed to reimburse certain of Sandler O'Neill's reasonable out-of-pocket expenses incurred in connection with its engagement (limited to \$25,000 unless prior approval is obtained) and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employees, agents, and controlling persons against certain expenses and liabilities, including liabilities under securities laws.

Sandler O'Neill has in the past provided other investment banking services to Valley, most recently in connection with Valley's initial public offering, and received compensation for such services. Sandler O'Neill may provide investment banking services to Community, and receive compensation for, such services in the future, including during the period prior to the closing of the merger. In the ordinary course of its business as a broker-dealer, Sandler O'Neill may purchase securities from and sell securities to Valley and Community and their respective affiliates and may actively trade the debt and/or equity securities of Valley and Community and their respective affiliates for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

*Opinion of Community's Financial Advisor.*

KBW has acted as financial advisor to Community in connection with the merger. Community selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with Community and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial businesses and their securities in connection with mergers and acquisitions.

On June 27, 2006, Community's board of directors held a special meeting to approve the merger agreement. At that meeting KBW rendered an oral opinion, followed by a written opinion of the same date, that as of that date and based upon and subject to the factors and assumptions set forth in its fairness opinion presentation, the consideration to be paid by Community in the merger (stockholders of Valley will have the option to receive \$46.00 per share in cash, shares of Community common stock, or a combination of cash and stock subject to an aggregate consideration mix of 75% stock and 25% cash and subject to adjustment as fully described in the merger agreement) was fair to the stockholders of Community from a financial point of view. That opinion was confirmed in a written opinion as of the date of this joint proxy statement prospectus.

**The full text of KBW's written opinion is attached as Appendix C to this document and is incorporated herein by reference. Community stockholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW.**

**KBW's opinion is directed to the Community board and addresses only the fairness, from a financial point of view, of the merger consideration to Community's stockholders. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any Community stockholder as to how the stockholder should vote at the Community special meeting on the merger agreement or any related matter.**

In rendering its opinion, KBW:

reviewed, among other things:

the merger agreement,

annual reports to stockholders and Annual Reports on Form 10-K of Community for the three years ended December 31, 2005;

annual reports to stockholders and Annual Reports on Form 10-K of Valley for the three years ended December 31, 2005;



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recent quarterly reports on Form 10-Q of Community;

recent quarterly reports on Form 10-Q of Valley;

other recent communications from Community and Valley;

other financial information concerning the businesses and operations of Community and Valley furnished to KBW by Community and Valley for the purposes of KBW's analysis;

certain publicly available information concerning the trading of, and the trading market for, the common stock of Community and Valley;

certain publicly available information with respect to publicly traded companies and the nature and terms of certain other transactions that KBW considered relevant to its inquiry; and

held discussions with members of senior management of Community and Valley regarding:

past, present and future operations, financial condition and regulatory relationships of the respective companies;

future prospects of the respective companies; and

the strategic objective of the merger and certain other benefits of the merger;

reviewed the market prices, valuation multiples, publicly reported financial conditions and results of operations for Community and for Valley and compared them with those of certain publicly traded companies that KBW deemed to be relevant; and

compared the proposed financial terms of the merger with the financial terms of certain other transactions that KBW deemed to be relevant; and

performed such other analyses that it considered appropriate.

In conducting its review and arriving at its opinion, KBW relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or otherwise made available to KBW or that was discussed with, or reviewed by or for KBW, or that was publicly available. KBW did not assume any responsibility to verify such information independently. KBW assumed that the financial and operating forecasts for Community and Valley provided by managements of Community and Valley have been reasonably prepared and reflect the best currently available estimates and judgments of senior management of Community and Valley as to the future financial and operating performance of Community and Valley. KBW assumed, without independent verification, that the aggregate allowances for loan and lease losses for Valley and Community are adequate to cover those losses. KBW did not make or obtain any evaluations or appraisals of any assets or liabilities of Valley or Community, and KBW did not examine any books and records or review individual credit files.

For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

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the merger will be completed substantially in accordance with the terms set forth in the merger agreement;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements or amendments or modifications will be imposed that will have a material adverse effect on the future results of operations or financial condition of Community, Valley or the combined entity, as the case may be, or the contemplated benefits of the merger.

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KBW further assumed that the merger will be accounted for as a purchase under generally accepted accounting principles. KBW's opinion is not an expression of an opinion as to the prices at which shares of Community common stock or Valley common stock will trade following the announcement of the merger or the actual value of Community common stock when issued pursuant to the merger, or the prices at which Community common stock will trade following the completion of the merger.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of KBW, Community and Valley. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the Community board of directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as solely determinative of the decision of the Community board or management of Community with respect to the fairness of the merger consideration.

### **Summary of Analyses by KBW.**

The following is a summary of the material analyses presented by KBW to the Community board of directors on June 27, 2006, in connection with its written opinion. The summary is not a complete description of the analyses underlying the KBW opinion or the presentation made by KBW to the Community board, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone are not a complete description of the financial analyses.

*Transaction Overview.* In providing an overview of the merger, the aggregate consideration of \$137.4 million is calculated based on a fixed price of \$46.00 per Valley share within the collars of a Community average closing price between \$34.54 and \$28.26. The transaction value per Valley share will fluctuate outside the described collar as the exchange ratio is fixed outside the collar. Stockholders of Valley will have the option to receive \$46.00 per share in cash, shares of Community common stock, or a combination of cash and stock subject to an aggregate consideration mix of 75% stock and 25% cash and subject to adjustment as fully described in the merger agreement. Valley stock option holders will have a choice of cash or stock equal to the value of their options, except that officers and directors who are continuing with the combined institution will be given the option to roll their options into Community options. Completion of the transaction is subject to Community and Valley stockholder approvals, required regulatory approvals and other conditions.

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*Transaction Pricing Multiples.* KBW calculated the following multiples:

<b>Transaction Multiples (Valley data as of 3/31/06)</b>	
Price/Last 12 Months EPS (\$2.08)	22.1x
Price/FY 2006 Management's Proj. EPS (\$2.51)	18.4x
Price/FY 2007 Management's Proj. EPS (\$3.21)	14.3x
Price/Book Value per Share (\$15.39)	2.99x
Price/Tangible Book Value per Share (\$15.39)	2.99x
Premium to Market Price (\$39.16)	17.5%
Tangible Premium/Core Deposits	36.1%

*Selected Transaction Analysis.* KBW reviewed certain financial data related to Western bank transactions greater than \$25 million in deal value announced between June 30, 2005 and June 26, 2006. Those transactions were as follows:

**Acquiree**

FCB Bancorp  
 Mountain States Bancorp  
 Vail Banks  
 BWC Finanacial Corp  
 NNB Holdings  
 Community  
 San Diego Community Bank  
 Citizens Development  
 Rancho Bank  
 Choice Bank  
 Southwest Community  
 Western Sierra Bancorp  
 Mid-Valley Bank  
 Bank of Nevada  
 Intermountain First Bancorp  
 F&M Holding  
 Foothill Independent Bancorp  
 Columbia Trust Bancorp  
 First National Bank of Arvada  
 CalNet Business Bank NA  
 First Colorado Bankshares  
 Central Coast Bancorp  
 Cedars Bank  
 Northstar Financial Corp  
 NWB Financial Corp

**Acquiror**

National Mercantile Bancorp  
 UMB Financial  
 US Bancorp  
 First Republic  
 Bank Holdings  
 First Community  
 First Banks  
 Glacier Bancorp  
 Vineyard National  
 Silver State Bancorp  
 Placer Sierra Bancshares  
 Umpqua Holdings  
 West Coast Bancorp  
 Western Alliance Bancorp  
 Western Alliance Bancorp  
 Cascade Bancorp  
 First Community  
 AmericanWest Bancorp  
 Bank of Choice Holding Company  
 Commercial Capital Bancorp  
 Alpine Banks of Colorado  
 Rabbobank Nederland  
 First Community  
 Frontier Financial Corp.  
 Pacific Continental Corp.

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For the purpose of this analysis, transaction multiples from the merger were derived from the \$46 per share consideration at June 27, 2006 and financial data as of March 31, 2006 for Valley. KBW compared these results with the multiples implied by the selected transactions listed above. The results of KBW's calculations and the analysis are set forth in the following table.

	Valley / Community Transaction	Western Bank > \$25 M Transactions 6/30/05-2006 75 <sup>th</sup> percentile	Western Bank > \$25 M Transactions 6/30/05-2006 Median
Deal Price / Book Value	2.99x	3.22x	2.61x
Deal Price / Tangible Book Value	2.99x	3.36x	3.10x
Deal Price / Trailing 12 Months Earnings per Share	22.1x	24.0x	22.6x
Premium to Market Value	17.5%	24.6%	16.9%
Deal Premium / Core Deposits	36.1%	30.8%	25.6%

No company or transaction used as a comparison in the above analysis is identical to Community, Valley or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

*Discounted Cash Flow Analysis.* KBW estimated the present value of Valley common stock based on a continued independence scenario, and assuming the Company were able to achieve the synergies that Community anticipates being able to achieve post transaction, by calculating the present value of the Valley projected cash flows including synergies. KBW's analysis assumes that excess capital above a 7.0% tangible equity/tangible assets ratio represents free cash flow available for dividends. For purposes of this analysis, a discount rate was calculated based on a model assessing a risk-free interest rate plus a market-based risk adjustment resulting in a range of discount rates of 12.5% to 17.5%. KBW relied on financial projections provided by Valley management and assumed a terminal value of 14 to 16 times projected earnings. The analysis resulted in a range of values from \$49.83 to \$67.50 per Valley share compared to the consideration to be paid to Valley of \$46.00 per Valley share.

The discounted cash flow present value analysis is a widely used valuation methodology but it relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The KBW analysis did not purport to be indicative of the actual values or expected values of Valley common stock.

*Pro Forma Earnings and Capital Impact Analysis.* KBW performed a pro forma financial analysis for the merger. Assumptions regarding the core deposit intangible amortization, cash expense and cost savings were used to calculate the projected financial impact that the merger would have on certain pro forma financial results of Community and Valley stockholders. The following assumptions were made:

Assumes a 12/31/06 close date;

75% common stock and 25% cash consideration on a fully diluted basis, fixed price of \$46.00 per share;

Cost savings of 24% of Valley's projected non-interest expense, \$3.1 million in pre-tax cost savings in 2007;

Core deposit intangibles equal to \$6.3 million, or 2.0% of Valley's core deposits, amortized using sum-of-the-years digits over 8 years;



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\$35 million of new trust preferred securities;

6.0% cost of cash & 8.0% cost of trust preferred securities;

\$4.5 million in restructuring and closing costs;

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	<b>Pro Forma Accretion to Community</b>	<b>Pro Forma Accretion to Community</b>
2007 GAAP EPS accretion	\$ 0.03	1.1%
2008 GAAP EPS accretion	\$ 0.05	1.6%
2009 GAAP EPS accretion	\$ 0.09	2.4%
2010 GAAP EPS accretion	\$ 0.15	3.4%

KBW analyzed the pro forma capital impact to Community arising from the Valley merger.

<b>Quarter Ended March 31,</b>	<b>Community Stand- Alone</b>	<b>Pro Forma Capital Impact</b>
2007 Tang. Equity to Tang. Assets	8.1%	6.3%
2007 Leverage Ratio	10.8%	8.4%
2007 Tier 1 Capital Ratio	11.6%	9.2%
2007 Total Capital Ratio	14.3%	10.2%

KBW also calculated the year end 2007 projected pro forma tangible book value accretion / (dilution):

<b>Year Ended December 31,</b>	<b>Pro Forma</b>
2007 Tangible Book Value/Share	\$ 11.87

<b>Year Ended December 31,</b>	<b>Pro Forma Impact (%)</b>
2007 Tangible Book Value/Share	(19.1%)

*Contribution analysis.* KBW analyzed the relative contribution of each of Community and Valley to certain pro forma balance sheet and income statement items of the combined entity. KBW compared the relative contribution of market, balance sheet and income statement items with the estimated pro forma ownership percentage Valley stockholders would represent in Community pro forma. The results of KBW's analysis are set forth in the following table.

<b>Category</b>	<b>Community</b>	<b>Valley</b>
Assets	70.2%	29.8%
Deposits	68.4%	31.6%
Tangible Equity	66.6%	33.4%
Market Capitalization	66.4%	33.6%
1Q06 Adjusted Revenues	70.1%	29.9%
1Q06 Net Income	67.7%	32.3%
2006e Net Income	66.3%	33.7%
2007e Net Income	65.4%	34.6%
Median Contribution of Above Measures	67.1%	32.9%
Implied Stock Ownership (75% stock)	68.3%	31.7%
Implied Stock Ownership (100% stock)	61.8%	38.2%

*Other Analyses.* KBW compared the relative financial and market performance of Community to a variety of relevant industry peer groups and indices.

As part of its investment banking business, KBW is continually engaged in the valuation of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. As specialists in the securities of banking companies, KBW has



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experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, Community and Valley. As a market maker in securities KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Community and Valley for KBW's own account and for the accounts of its customers.

Community and KBW have entered into an engagement relating to the services to be provided by KBW in connection with the merger. Community will pay to KBW at the time the merger is completed a cash fee equal to \$961,933 less the \$25,000 that has already been paid to KBW in the form of a retainer and the progress payment of \$50,000 paid upon the signing of the definitive agreement. Pursuant to the KBW engagement agreement, Community also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention and to indemnify it against certain liabilities, including liabilities under the federal securities laws.

### **Consideration to be paid to Valley Stockholders**

Except as described in the next paragraph, upon completion of the merger, each issued and outstanding share of Valley will be converted, at the election of the holder, and subject to the proration provisions of the merger agreement, into (i) \$46.00 in cash, or (ii) \$46.00 worth of Community common stock. An exchange ratio will be used to determine how many shares of Community common stock will be exchanged for each share of Valley common stock. The exchange ratio will equal \$46.00 divided by the average closing price for Community common stock during the twenty trading days ending on the third trading day immediately before the closing of the merger. Any resulting fractional share will be paid in cash.

The \$46.00 in value is subject to adjustment if Community's average closing price is less than \$28.26 or more than \$34.54. If Community's average closing price is less than \$28.26, then the per share consideration Valley stockholders will receive will be determined by multiplying 1.2208 by Community's average closing price, and then adding \$11.50. If Community's average closing price is more than \$34.54, then the per share consideration Valley stockholders will receive will be determined by multiplying 0.9988 by Community's average closing price, and then adding \$11.50. See page 54, The Merger The Merger Agreement.

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The following table shows the consideration Valley stockholders will receive in the merger at different assumed Community average closing prices:

Community Average Price	Per Share		%	
	Value to Valley	Exchange Ratio	Merger Value Cash	Merger Value Stock
\$37.50	\$48.96	1.3056	23.5%	76.5%
\$37.00	\$48.46	1.3097	23.7%	76.3%
\$36.50	\$47.96	1.3140	24.0%	76.0%
\$36.00	\$47.46	1.3183	24.2%	75.8%
\$35.50	\$46.96	1.3228	24.5%	75.5%
\$35.00	\$46.46	1.3274	24.8%	75.2%
\$34.54	\$46.00	1.3318	25.0%	75.0%
\$34.50	\$46.00	1.3333	25.0%	75.0%
\$34.00	\$46.00	1.3529	25.0%	75.0%
\$33.50	\$46.00	1.3731	25.0%	75.0%
\$33.00	\$46.00	1.3939	25.0%	75.0%
\$32.50	\$46.00	1.4154	25.0%	75.0%
\$32.00	\$46.00	1.4375	25.0%	75.0%
\$31.50	\$46.00	1.4603	25.0%	75.0%
\$31.40	\$46.00	1.4650	25.0%	75.0%
\$31.00	\$46.00	1.4839	25.0%	75.0%
\$30.50	\$46.00	1.5082	25.0%	75.0%
\$30.00	\$46.00	1.5333	25.0%	75.0%
\$29.50	\$46.00	1.5593	25.0%	75.0%
\$29.00	\$46.00	1.5862	25.0%	75.0%
\$28.50	\$46.00	1.6140	25.0%	75.0%
\$28.26	\$46.00	1.6277	25.0%	75.0%
\$28.00	\$45.68	1.6314	25.2%	74.8%
\$27.50	\$45.07	1.6389	25.5%	74.5%
\$27.00	\$44.46	1.6467	25.9%	74.1%
\$26.50	\$43.85	1.6547	26.2%	73.8%
\$26.00	\$43.24	1.6631	26.6%	73.4%
\$25.50	\$42.63	1.6718	27.0%	73.0%
\$25.00	\$42.02	1.6808	27.4%	72.6%

**Election Procedure**

In order to make a valid election of the merger consideration they wish to receive, a stockholder of Valley must complete a form transmittal letter that will be mailed by Community's exchange agent, Computershare Trust Company, Inc., separately from this proxy-prospectus to each holder of record of Valley common stock as of the record date. Such transmittal letter will allow holders of Valley stock to select shares of Community common stock, cash or a combination of the foregoing. If Valley stockholders do not make a valid and timely election, they will receive whatever form of consideration (Community common shares or cash) as may be necessary to satisfy the proration provisions discussed below.

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**VALLEY STOCKHOLDERS SHOULD RETAIN THIS JOINT PROXY STATEMENT PROSPECTUS, SINCE IT WILL BE OF ASSISTANCE IN MAKING YOUR ELECTION.**

A valid election will be properly made and effective only if the exchange agent actually receives a properly completed letter of transmittal by 5:00 p.m. on or before the 30<sup>th</sup> day after the letter of transmittal is first mailed. A letter of transmittal will be deemed properly completed only if an election is indicated for each share of Valley common stock and accompanied by one or more certificates, or customary affidavits and indemnity for lost certificates, representing all shares of Valley common stock covered by such letter of transmittal. An election may be revoked or changed at any time prior to the election deadline.

**VALLEY STOCKHOLDERS SHOULD NOT SEND IN THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE THE ELECTION FORMS AND INSTRUCTIONS FROM THE EXCHANGE AGENT.**

The number of Valley shares with respect to which a stock or cash or combination election is effective may be changed under certain circumstances. The merger agreement provides that 75% of the total consideration issued in the merger will be Community common stock if the Community average closing price is between \$28.26 and \$34.54. If the Community average closing price is outside that range, the merger agreement provides that \$32,520,632 of the total consideration will be paid in cash, and the balance in Community common stock.

If, after taking into account all valid stock elections, less than the required percentage of the total consideration would be in Community shares, the exchange agent will deliver Community stock instead of cash first to Valley stockholders who failed to make a valid election and then, if necessary, to Valley stockholders even though they made a valid cash election. As a result, the Valley stockholders that made a valid cash election could be subject to a proration process which will result in the holder receiving a different mix of consideration than originally requested.

On the other hand, if after taking into account all valid stock elections, more than the required percentage of the total consideration would be Community shares, the exchange agent will deliver cash instead of Community shares first to Valley stockholders who failed to make a valid election and then, if necessary, to Valley stockholders even though they made a valid stock election. As a result, the Valley stockholders that made a valid stock election will be subject to a proration process which will result in the holder receiving a different mix of consideration than originally requested.

For details on the proration provisions, please refer to the merger agreement, attached as Appendix A to this joint proxy statement prospectus.

As soon as practicable following the closing, and after the proration procedures described above are completed, each holder of Valley common stock who submitted a properly completed letter of transmittal will be issued a certificate representing the number of shares of Community common stock to which such holder is entitled, if any (and, if applicable, a check for the amount to be paid in lieu of fractional shares of Community common stock), and/or an amount of cash to which such holder is entitled, if any.

**Surrender of Valley Stock Certificates After the Election Period Closes**

Holders of Valley common stock who do not submit a letter of transmittal prior to the election deadline must nevertheless submit a properly completed letter of transmittal (other than the section pertaining to the election) and the certificate representing Valley common stock to the exchange agent in order to receive their consideration. Such stockholders will be considered to hold undesignated shares and would receive cash, Community common stock or a mix of cash and Community common stock as necessary to bring the total merger consideration within the required allocation between cash and Community common stock.

No dividends or other distributions that are declared on Community common stock will be paid to persons otherwise entitled to receive the same until the Valley certificates for their shares have been surrendered in

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exchange for the Community certificates, but upon such surrender, such dividends or other distributions, from and after the closing date of the merger, will be paid to such persons in accordance with the terms of Community common stock. No interest will be paid to the Valley stockholders on the cash or the Community common stock into which their shares of Valley common stock will be exchanged.

### **Holders of Options for Valley Common Stock**

The holders of options for Valley common stock who do not exercise their options prior to the close of the merger will be afforded an election process similar to holders of Valley common stock. For each share of Valley common stock that an option holder has the right to purchase, such option holder may elect to receive either (i) \$46.00 less the exercise price of their option in cash, or (ii) \$46.00 less the exercise price of their option worth of Community common stock. As an alternative to receiving the foregoing consideration, certain continuing employees may elect to receive substitute stock options from Community in exchange for their stock options in Valley.

### **Regulatory Approvals Required**

Bank holding companies, such as Community and Valley, and banks, such as Community Bank of Nevada and Valley Bank, are heavily regulated institutions with numerous federal and state laws and regulations governing their activities. Among these laws and regulations are requirements of prior approval by applicable government regulatory authorities in connection with acquisition and merger transactions such as the merger. In addition, these institutions are subject to ongoing supervision, regulation and periodic examination by various federal and state financial institution regulatory agencies.

Consummation of the merger is subject to various conditions, including, among others, receipt of the prior approvals of the Nevada Division of Financial Institutions and the Board of Governors of the Federal Reserve System.

The merger agreement provides that the obligations of the parties to consummate the merger are conditioned upon all regulatory approvals having been granted by February 28, 2007, without the imposition of conditions which, in the opinion of Community, would materially adversely affect the financial condition or operations of any party or otherwise be burdensome.

Applications for regulatory review and approval of the merger and the related transactions has been filed with the Nevada Division of Financial Institutions and with the Board of Governors of the Federal Reserve System. Community also filed a request for an exemption with the Board of Governors of the Federal Reserve System from the applicable application provisions of the Bank Holding Company Act. There can be no assurance that the Division of Financial Institutions and the Federal Reserve will approve or take other required action with respect to the merger and the related transactions or as to the date of such approvals or action.

### **Management after the Merger**

The directors and the principal executive officers of Community and Community Bank of Nevada immediately prior to the effective time of the merger and bank merger will continue as the directors and the principal executive officers following the merger. Barry L. Hulin, President and Chief Executive Officer of Valley will enter into a two year employment agreement with Community to serve as Executive Vice President/Corporate Development of Community Bank of Nevada. In addition, Dan Stewart, a director of Valley, will become a member of the Community and Community Bank of Nevada boards of directors effective upon the closing of the merger.

### **NASDAQ Listing**

The shares of Community common stock to be issued in the merger will be listed on the NASDAQ Global Market.

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**Resales of Community Common Stock**

The shares of Community common stock to be issued to stockholders of Valley in the merger have been registered under the Securities Act of 1933. Such shares will be freely transferable under such Act, except for shares issued to any person who may be deemed to be an affiliate of Valley within the meaning of Rule 145 under the Securities Act of 1933.

**Material Federal Income Tax Consequences**

In the opinion of Community's legal counsel Santoro, Driggs, Walch, Kearney, Johnson & Thompson, the following are the material federal income tax consequences of the merger for Valley and its stockholders. This discussion relies upon certain representations made by Community, Community Bank of Nevada, Valley, and Valley Bank, and is based upon the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to United States residents and citizens that hold their Valley shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the tax consequences that may be relevant to a particular stockholder or to a stockholder that is subject to special treatment under U.S. federal income tax laws. An opinion of legal counsel is not binding on the IRS or the courts, and therefore no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth below.

**VALLEY STOCKHOLDERS ARE ENCOURAGED TO CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER, AS WELL AS THE EFFECTS OF STATE, LOCAL AND NON-U.S. TAX LAWS.**

The merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. As such a reorganization, no gain or loss will be recognized by Valley in the merger, and the material U.S. federal income tax consequences of the merger for Valley stockholders are summarized as follows:

*Valley Stockholders Who Elect to Receive Only Community Shares.* If you elect to receive solely Community shares, then you will not recognize gain or loss for U.S. federal income tax purposes in the merger, except that any Valley stockholder who receives cash proceeds in lieu of a fractional Community share will recognize capital gain or capital loss equal to the difference between such proceeds and the tax basis allocated to the fractional share. The tax basis of the Community shares (including any fractional shares deemed received and exchanged for a cash payment) received by you in exchange for your Valley common stock will be the same as your tax basis in your Valley common stock. Your holding period in the Community shares (including any fractional shares deemed received and exchanged for a cash payment) received by you will include your holding period in your Valley common stock. Your capital gain or loss on cash proceeds received by you in lieu of a fractional Community share will be long-term capital gain or loss if you have held your shares of Valley common stock for more than one year at the effective time of the merger.

*Valley Stockholders Who Receive Only Cash.* If you exchange all of your shares of Valley common stock for cash in the merger, you will recognize capital gain or capital loss for U.S. federal income tax purposes to the extent the amount of cash received by you in the merger exceeds or is less than your tax basis in your Valley common stock. Your capital gain or loss will be long-term capital gain or loss if you have held your shares of Valley common stock for more than one year at the effective time of the merger. Long-term capital gain of a non-corporate U.S. stockholder generally qualifies for a maximum regular U.S. federal income tax rate of fifteen percent.

*Valley Stockholders Who Receive Both Community Shares and Cash.* If you elect to receive both Community shares and cash in exchange for your Valley common stock, you will recognize gain, but not loss, for U.S. federal income tax purposes in an amount equal to the lesser of (1) the amount of cash received by you in



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merger or (2) an amount equal to the excess, if any, of (a) the sum of the amount of cash plus the fair market value of the Community shares received by you in the merger, over (b) your tax basis in your Valley common stock. (The preceding sentence does not apply to any cash you receive in lieu of fractional Community shares, the tax consequences of which are discussed above under the subheading *Valley Stockholders Who Elect to Receive Only Community Shares.* ) Your recognized gain will be capital gain unless your receipt of cash has the effect of a distribution of a dividend, in which case your gain will be treated as ordinary dividend income to the extent of your ratable share of Valley's accumulated earnings and profits as calculated for U.S. federal income tax purposes. For purposes of determining whether your receipt of cash has the effect of a distribution of a dividend, you will be treated as if you first exchanged all of your Valley common stock solely for Community shares and then Community immediately redeemed a portion of the shares for the cash that you actually received in the merger. The IRS has indicated in rulings that any reduction in the interest of a minority stockholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would receive capital gain (as opposed to dividend) treatment. In determining whether your receipt of cash has the effect of a distribution of a dividend, certain constructive ownership rules must be taken into account. Your capital gain will be long-term capital gain if your holding period for your Valley common stock is more than one year. Long-term capital gain and certain dividend income of a non-corporate U.S. stockholder generally qualify for a maximum regular U.S. federal income tax rate of fifteen percent.

Your aggregate tax basis in the Community shares received by you in the merger will equal your aggregate tax basis in your Valley common stock, (1) reduced by (a) the portion of your tax basis in your Valley common stock that is allocable to a fractional share of Community common stock for which cash is received and (b) the amount of cash received by you in the merger, and (2) increased by the amount of gain (including any portion of such gain that is treated as a dividend as described above), if any, recognized by you in the merger (other than any gain recognized upon your receipt of cash in lieu of a fractional Community share). Your holding period for the Community shares received by you in the merger will include your holding period for your Valley common stock.

**The foregoing discussion is not intended to be a complete analysis or description of all potential federal income tax consequences of the merger. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address any non-income tax or any foreign, state or local tax consequences of the merger. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.**

### **Accounting Treatment**

It is anticipated that the merger will be accounted for as a purchase transaction under generally accepted accounting principles. The unaudited pro-forma financial information contained in this joint proxy statement prospectus has been prepared using the purchase method of accounting.

### **Dissenters' Rights of Valley Stockholders**

Dissenters' rights will not be available to either Valley or Community stockholders by virtue of Nevada Revised Statutes ( NRS ) 92A.300, *et seq.* Section 92A.390 exempts companies whose shares are listed on a national exchange from offering dissenter's rights that would otherwise be available under NRS 92A.300, *et seq.* Both Valley and Community are listed on the NASDAQ Global Market, and are accordingly exempt.

### **Interests of Certain Persons in the Merger**

Certain members of Valley's board of directors and management may be deemed to have interests in the merger, in addition to their interests as stockholders of Valley generally. The Valley board of directors was aware of these factors and considered them, among other things, in approving the merger agreement.

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*Voting Agreements.* Certain members of the board of directors of Valley, as well as Dick Holtzclaw, Valley's Executive Vice President and Chief Financial Officer and Steve Gilbert, Valley's Executive Vice President and Chief Operating Officer, have entered into a voting agreement, dated as of the same date as the merger agreement. Under these agreements, each such person agrees to vote the shares of Valley that he or she owns or controls in favor of the merger. The persons who have entered into such Voting Agreements are entitled to vote a total of 361,511 shares of Valley common stock, which is approximately 12.78% of the total shares outstanding.

*Employment Agreement Effective Upon Merger.* Community Bank of Nevada has entered into an employment agreement with Barry Hulin, the President and Chief Executive Officer of Valley. The employment agreement provides that Mr. Hulin will serve as Executive Vice President / Corporate Development of Community Bank of Nevada for a period of two years, commencing on the closing date of the merger. The employment agreement provides that Mr. Hulin will be paid an annual salary of \$220,000 per year, which is the amount of his current base salary at Valley. If Mr. Hulin's employment is terminated by Community Bank of Nevada without cause (as defined in the agreement) prior to the expiration of the term, Mr. Hulin will be entitled to receive all accrued compensation and benefits, including vested retirement benefits, to the date of such termination, and that upon completion of his full release of claims, a lump sum severance payment in an amount equal to the remainder of payments due under the agreement during the remainder of the term of the agreement.

*Existing Employment Agreement Change in Control Severance Provisions.* Valley Bank has entered into an employment agreement, dated as of March 22, 2000, with Mr. Hulin. The agreement was subsequently amended to include Valley as a party to the agreement, and the term of the agreement was extended by Valley's board of directors.

The employment agreement provides that if a change of control closes while Mr. Hulin is employed during the term of the agreement, Mr. Hulin will receive a lump-sum change of control severance payment in an amount equal to three times his highest reported annual income received from Valley and/or Valley Bank over the preceding five years, payable upon closing of the change in control. Subject to certain limitations imposed by the parachute payment provisions (Section 280G) of the Internal Revenue Code, assuming that severance within the scope of the agreement occurs in 2006, the maximum amount payable would be \$1,195,183.

*Change in Control Severance Agreements.* Valley and Valley Bank have also entered into Change in Control Severance Agreements, dated as of March 22, 2000, with Steve Gilbert, Valley's and Valley Bank's Executive Vice President and Chief Operating Officer, and Dick Holtzclaw, Valley's and Valley Bank's Executive Vice President and Chief Financial Officer.

Under each officer's severance agreement, if a change of control closes while the officer is employed by Valley or Valley Bank, the officer will receive a lump-sum change in control severance payment in an amount equal to one and one-half (1.5) times his highest reported annual income received from Valley Bank over the preceding three years. Subject to certain limitations imposed by the parachute payment provisions (Section 280G) of the Internal Revenue Code, assuming that severance within the scope of the agreements occurs in 2006, the maximum amounts payable to Messrs. Gilbert and Holtzclaw would be \$338,693 and \$315,521, respectively.

*Director Non-Competition Agreements.* Members of the Valley board of directors (except newly-appointed directors Messrs. Flaa and Garraway and also Messrs. Rottman and Vause) have entered into a non-competition agreements with Community. The non-competition agreements provide that, for a period of two years following the closing of the merger, the directors may not compete with or solicit the clients of Valley or Valley Bank, nor own more than 5% of, or serve as an officer, director or employee of, any competitor of Community within the counties in Nevada in which Valley or Community operate at the time of the closing of the merger. The agreements also provide that the directors will, until the second anniversary of the closing of the merger, use confidential information (as defined in the agreement) only for the benefit of Valley and not divulge any such information to any person for his or her own benefit or for the benefit of any other person.

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*Indemnification of Directors and Officers.* The merger agreement provides that Community will allow Valley to use commercially reasonable efforts to extend the discovery period of its directors and officers liability insurance policy for a period of up to four years following the closing of the merger, with respect to all matters arising from facts and events that occurred prior to the closing date of the merger for which Valley would have had an obligation to indemnify its directors.

The merger agreement also provides that following the closing of the merger, Community will preserve Valley's directors indemnification rights as provided for in Valley's articles of incorporation, bylaws and existing indemnification agreements.

## **The Merger Agreement**

*Structure of the Merger.* In the merger, Valley will merge with and into Community and will cease to exist. In the bank merger, Valley Bank will merge with and into Community Bank of Nevada and will cease to exist. The merger and bank merger are governed by the merger agreement.

*Effective Time.* The merger will become effective and close upon the last to occur of the following events: (1) receipt of all necessary regulatory approvals with the expiration of any applicable regulatory waiting periods; and (2) satisfaction of the other conditions precedent set forth in the merger agreement. We currently anticipate that the merger will occur in the fourth quarter of 2006.

*Treatment of Stock Options.* At the closing of the merger, the Valley stock option plan will terminate and Community's 2005 Equity Based Compensation Plan will continue in effect.

*Conditions to the Merger.* The obligations of Community and Valley to consummate the merger are subject to the satisfaction or waiver on or before the closing of the merger of, among other things, the following conditions:

the merger agreement and the transactions contemplated thereby will have received all requisite approvals of the boards of directors of Community, Community Bank of Nevada, Valley, and Valley Bank, and of the stockholders of both Community and Valley;

no judgment, decree, injunction, order or proceeding will be outstanding or threatened by any governmental entity which prohibits or restricts the effectuation of, or threatens to invalidate or set aside the merger substantially in the form contemplated by the merger agreement, unless a favorable opinion is given by legal counsel that such judgment, decree, injunction, order or proceeding is without merit;

by February 28, 2007, all approvals or consents of all applicable governmental agencies will have been obtained or granted for the merger and all the transactions contemplated by the merger agreement, and the applicable waiting period under all laws will have expired;

no rule will have been adopted or proposed by any government agency which would prohibit or substantially restrict the merger or the business carried on by the parties to the merger;

Community's registration statement shall have been declared effective by the Securities and Exchange Commission and shall not be the subject of any stop order or proceedings seeking or threatening a stop order;

Community shall have received all state securities permits and other authorizations necessary to issue the Community common stock to consummate the merger;

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Community and Valley will have received a favorable opinion from Santoro, Driggs, Walch, Kearney, Johnson & Thompson as to federal tax effects of the merger (see [Material Federal Income Tax Consequences](#) ); and

all third party consents necessary to permit the parties to consummate the merger will have been obtained.

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The obligations of Valley to consummate the merger are also subject to fulfillment of certain other conditions, including that there will not have occurred, between June 28, 2006 and the closing of the merger, any materially adverse change in the business, financial condition, prospects, results of operations or properties of Community.

The obligations of Community to consummate the merger are also subject to the fulfillment of certain other conditions, including that there will not have occurred, between June 28, 2006 and the closing of the merger, any material adverse change in the business, financial condition, prospects, results of operations or properties of Valley.

Additionally, the consummation of the merger is subject to the performance of covenants, the execution and delivery of certain ancillary documents, the accuracy of representations and warranties and the receipt of various third-party consents, officers' certificates and other documents.

If these and other conditions are not satisfied or waived, the merger agreement may be terminated. The merger agreement may also be terminated upon the occurrence of certain other events. See Termination.

*Nonsolicitation.* Under the terms of the merger agreement, Valley has agreed not to solicit, initiate or encourage any competing transaction. In addition, it has agreed (unless it determines, with advice of counsel, that its fiduciary duty requires otherwise) not to participate in any negotiations or discussions regarding, or furnish any information with respect to, or otherwise cooperate in any way in connection with, any effort or attempt to effect any competing transaction with or involving any person other than with Community, unless Valley receives a bona fide offer from a person other than the parties to the merger agreement and the Valley board of directors concludes in good faith that such competing transaction is reasonably likely to be consummated and if consummated would result in a transaction more favorable to Valley stockholders from a financial standpoint, and the Valley board determines with written advice of outside counsel that participating in such competing transaction is necessary or advisable and not inconsistent with its fiduciary duties. Valley has agreed to promptly notify Community of the terms of any proposal which it may receive in respect of any competing transaction. The term competing transaction means any of the following involving Valley:

a merger, consolidation, share exchange or other business combination;

a sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets representing 25% or more of Valley's assets;

a sale of shares of capital stock (or securities convertible or exchangeable into or otherwise evidencing, or any agreement or instrument evidencing, the right to acquire capital stock), representing 25% or more of the voting power of Valley;

a tender offer or exchange offer for at least 25% of the outstanding shares of Valley;

a solicitation of proxies in opposition to approval of the merger by Valley's stockholders; or

a public announcement of an unsolicited *bona fide* proposal, plan or intention to do any of the foregoing.

Any violation of these agreements by Valley will result in Community having the right to terminate the merger agreement.

*Expenses.* If the merger agreement is terminated by Valley because Community materially fails to satisfy its obligations or breaches its representations under the merger agreement, Community will be obligated to pay Valley \$500,000.

If the merger agreement is terminated by Community because Valley materially fails to satisfy its obligations or breaches its representations under the merger agreement, Valley will be obligated to pay Community \$500,000.



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In the event that (i) the board of directors of Valley fails to recommend approval of the merger agreement and the merger to the stockholders of Valley or effects a change in recommendation (as defined in the merger agreement), and the merger agreement and the merger are not approved by the stockholders of Valley by the requisite vote at the annual meeting, or (ii) a competing transaction (as defined above) occurs between June 28, 2006 and the time of the special meeting and the stockholders of Valley fail to approve the merger agreement and the merger under circumstances where the board of directors of Valley continuously maintained its favorable recommendation of the merger agreement and the merger, or (iii) the merger agreement is terminated after a competing transaction and after the occurrence of (i), (ii), or (iii) either a definitive agreement relating to a competing transaction is executed by Valley, or a competing transaction is consummated, in either case within 12 months after the termination of the merger agreement, then Valley shall promptly pay Community \$4,000,000.

*Termination.* The merger agreement may be terminated prior to the closing of the merger:

by mutual consent of Community and Valley;

by Community or Valley if any material breach or default by the other party is not cured within 20 business days after notice thereof;

by Community or Valley if any governmental or regulatory consent is not obtained by February 28, 2007 or if any governmental or regulatory authority denies or refuses to grant any approval, consent or authorization required to be obtained to consummate the transactions contemplated by the merger agreement unless, within 20 business days after such denial or refusal, all parties agree to resubmit the application to the regulatory authority that has denied or refused to grant the approval, consent or qualification requested;

by Valley if any of the conditions to its performance of the merger agreement shall not have been met, or by Community if any of the conditions to its performance of the merger agreement shall not have been met, by February 28, 2007 or such earlier time as it becomes apparent that such conditions shall not be met;

by Community, if the stockholders of Valley fail to approve the merger and the merger agreement by the requisite vote at the special meeting;

by Valley, if the stockholders of Community fail to approve the merger and the merger agreement by the requisite vote at the special meeting; or

by Valley, if Community's average closing price declines at least 17.5% from \$31.40, and such decline is not proportionate to any decline in the NASDAQ Bank Index over the same measuring period, subject to Community's right to reinstate the agreement with a fixed price of \$43.13, in cash or Community common stock, for each share of Valley.

*Representations and Warranties.* The merger agreement contains customary mutual representations and warranties by each party relating to, among other things: (1) incorporation, standing and power; (2) capitalization; (3) subsidiaries; (4) financial statements; (5) corporate authority; (6) litigation; (7) compliance with laws and regulations; (8) brokers and finders; (9) absence of material changes; (10) environmental matters; (11) Community Reinvestment Act; (12) governmental reports; (13) regulatory approvals; (14) performance of obligations; (15) licenses and permits; (16) undisclosed liabilities; (17) accounting records, disclosure controls and internal controls; (18) Bank Secrecy Act; (19) taxes; (20) insurance; (21) loan portfolio; (22) operating losses, (23) absence of adverse agreements, and (24) disclosure.

In the merger agreement, Valley makes additional representations and warranties relating to: (1) title to assets; (2) real estate; (3) employees; (4) employee benefit plans; (5) material contracts; (6) intellectual property; and (7) Community Reinvestment Act.

The representations and warranties of the parties terminate as of the closing of the merger.





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*Covenants; Conduct of Business Prior to Effective Time.* The merger agreement provides that, during the period from June 28, 2006 until the effective time of the merger, Valley will conduct its business only in the normal and customary manner and in accordance with sound banking practices and will not, without the prior written consent of Community, which will not be unreasonably withheld, take any of the following actions, among others:

issue any security except pursuant to the exercise of options outstanding as of the date of the merger agreement;

declare, set aside or pay any dividend or make any other distribution upon, or purchase or redeem any shares of its stock;

amend its articles of incorporation or its bylaws;

grant any general or uniform increase in the rate of pay of employees or employee benefits except in the ordinary course of business and consistent with past practice;

except as otherwise provided in the merger agreement, grant any promotions or increases on the pay rate of any employee, incentive compensation or employee benefits or pay any bonus, severance or similar payment to any person except in the ordinary course of business and consistent with past practice;

make any capital expenditure in excess of \$25,000, except for ordinary repairs, renewals and replacements;

compromise or otherwise settle or adjust any assertion or claim of a deficiency in taxes (or interest thereon or penalties in connection therewith); file any appeal from an asserted deficiency except in a form previously approved by Community in writing; file or amend any United States federal, foreign, state or local tax return without Community's prior written approval, which approval shall not be unreasonably withheld; or make any tax election or change any method or period of accounting unless required by GAAP or applicable law;

grant, renew or commit to grant or renew any extension of credit or amend the terms of any such credit outstanding on the date hereof to any executive officer, director or principal stockholder, or to any corporation, partnership, trust or other entity controlled by any such person, except under certain circumstances and in amounts not exceeding \$50,000 per person, and \$100,000 in the aggregate;

enter into or consent to any new employment agreement or other benefit arrangement, or amend or modify any employment agreement or other benefit arrangement in effect on the date of the merger agreement;

grant any person a power of attorney or similar authority;

make any material investment by purchase of stock or securities, contributions to capital, property transfers or otherwise in any other company, except for federal funds or obligations of the United States Treasury, or investments made in the ordinary course of business consistent with past or established practice;

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amend, modify or terminate, except in accordance with its terms, any material contract or enter into any material agreement or contract;

sell, encumber or otherwise dispose of any assets or release any claims, except in the ordinary course of business consistent with past practice;

take or cause to be taken any action which would prevent the transactions contemplated hereby from qualifying as tax free reorganizations under Section 368 of the Internal Revenue Code;

sell any investment security prior to maturity, except in the ordinary course of business;

change any of its basic policies and practices with respect to liquidity management and cash flow planning, marketing, deposit origination, lending, budgeting, tax planning, personnel practices or other material aspects of its business;

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settle any claim, action or proceeding involving any material liability for monetary damages or enter into any settlement agreement containing material obligations;

incur any indebtedness for borrowed money or assume, guaranty, endorse or otherwise as an accommodation become responsible for the obligations of any other person, except for (i) in connection with banking transactions with banking customers in the ordinary course of business, or (ii) short-term borrowings (30 days or less) made at prevailing market rates and terms; or

grant, renew or commit to grant or renew any extension of credit if such extension of credit, together with all other credit then outstanding to the same person and all affiliated persons, would exceed \$250,000 on an unsecured basis and \$500,000 on a secured basis subject to certain exceptions.

The merger agreement further provides that, during the period from June 28, 2006 until the effective time of the merger, Community will conduct its business only in the normal and customary manner and in accordance with sound banking practices and will not, without the prior written consent of Valley, which will not be unreasonably withheld, take any of the following actions, among others:

amend its articles of incorporation or bylaws;

take or cause to be taken any action which would prevent the transactions contemplated hereby from qualifying as tax free reorganizations under Section 368 of the Internal Revenue Code; or

enter into or complete any transaction for (i) the acquisition, merger or consolidation of Community whereby Community is not the surviving entity, or (ii) the sale of all or substantially all of the assets of Community without making necessary and appropriate provision in the documents for such an acquisition, merger, consolidation or sale of assets for the consummation of the merger with Valley and the other transactions contemplated by the merger agreement.

The merger agreement also provides that each party will (1) use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by the merger agreement as promptly as practical; and (2) obtain the consent of the other party before it issues any press release or makes any public statement with respect to the merger agreement or the transactions contemplated hereby.

The merger agreement also provides that each party will:

duly and timely file all required governmental reports;

periodically furnish to the other party certain information, loan reports and updates of information previously provided;

promptly notify the other party of certain communications from tax authorities, material litigation and any event which has had or may reasonably be expected to have a materially adverse effect on the financial condition, operations, business or properties;

provide access to the other party of certain information; and

use its reasonable efforts between the date of the merger agreement and the effective time of the merger to take all actions necessary or desirable, including the filing of any regulatory applications.

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*Amendment and Waiver.* Subject to applicable law: (1) the merger agreement may be amended at any time by the action of the boards of directors of Community and Valley without action by their stockholders pursuant to a writing signed by all parties to the merger agreement; and (2) the parties, by action of their respective boards of directors, may, at any time prior to the effective time, extend the performance of any obligation or action required by the merger agreement, waive inaccuracies in representations and warranties and waive compliance with any agreements or conditions for their respective benefit contained in the merger agreement.

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**INFORMATION ABOUT COMMUNITY**

**Company History**

Community is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with \$1.0 billion in assets as of June 30, 2006. Community was organized on March 18, 2002, as a Nevada corporation to serve as a holding company for its subsidiary bank, Community Bank of Nevada, which we refer to as Community Bank.

As of June 30, 2006, Community had total assets of \$1.0 billion, net loans of approximately \$793.6 million, total deposits of approximately \$793.4 million and total stockholders' equity of approximately \$114.2 million.

Community derives its income primarily from interest received on commercial real estate loans, commercial loans and consumer loans and, to a lesser extent, on fees from the sale of SBA loans originated by Community Bank, interest on investment securities, fees received in connection with deposit services as well as loans and other services offered. Community's major operating expenses are the interest paid by Community Bank on deposits and borrowings, salaries and general operating expenses. Community Bank relies on a foundation of locally generated deposits. It has a relatively low cost of funds due to a high percentage of low cost and non-interest bearing deposits. Community's operations, like those of other financial institutions operating in Clark County Nevada, are significantly influenced by economic conditions in Clark County, particularly in the Las Vegas metropolitan area, including the strength of the real estate market, and the fiscal and regulatory policies of the federal and state government and the regulatory authorities that govern financial institutions.

As of June 30, 2006, Community Bank of Nevada had nine branches located in Clark County Nevada. Community also maintains two loan production offices, one in Phoenix, Arizona, and one in San Diego, California. Community has grown rapidly thanks in part to the growing economy of Nevada and through acquisition. Community anticipates that it will continue to explore growth through additional strategic acquisitions in the future as opportunities arise. Community's website address is [www.communitybanknv.com](http://www.communitybanknv.com).

**Recent Developments**

On July 20, 2006, Community announced it had signed a definitive agreement to acquire all of the outstanding shares of Cactus Commerce Bank, an Arizona state chartered bank, for \$13,326,000. The acquisition is structured as a direct share purchase from the stockholders of Cactus Commerce Bank, and the consideration will be paid entirely in cash. As a result of the transaction, Cactus Commerce Bank will become a wholly-owned subsidiary of Community, which will then be a two bank holding company. At June 30, 2006, Cactus Commerce Bank had total assets of \$41.4 million, total deposits of \$36.0 million, net loans of \$31.0 million, and stockholders' equity of \$4.3 million. Cactus Commerce Bank currently operates out of its headquarters office in Glendale, Arizona, and is in the process of opening a new branch in Fountain Hills, Arizona. Community expects the acquisition of Cactus Commerce Bank to close late in the third or early in the fourth quarter of 2006.

The acquisition is subject to approval by the Federal Reserve, Arizona Department of Financial Institutions, Nevada Financial Institutions Division, and the Federal Deposit Insurance Corporation. This will be Community's first out-of-market acquisition, and begins implementation of its plan to expand into high growth markets in Arizona and California.

Community also recently applied for approval to open a new branch at 5785 Centennial Center Blvd., Las Vegas, Nevada.

**Employees**

As of June 30, 2006, Community on a consolidated basis had a total of 179 full time equivalent employees.

**Additional Information**

Additional information concerning Community and its subsidiary is included in the Community documents filed with the SEC, which are incorporated by reference in this document. See "Where You Can Find More Information" beginning on page 76.

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**INFORMATION ABOUT VALLEY**

Valley is a Nevada state-chartered bank holding company formed in mid-2001. Valley operates through Valley Bank, a Nevada state-chartered bank that commenced operations in October 1998, with the mission of providing community banking services to Las Vegas and its neighboring suburbs.

As of June 30, 2006, Valley had total consolidated assets of approximately \$441 million, total net loans of approximately \$328 million, total consolidated deposits of approximately \$378 million, and total consolidated stockholders equity of approximately \$45.4 million. Valley had 69 active full time equivalent employees at June 30, 2006.

Valley Bank provides a variety of lending and deposit products and services, focusing primarily on commercial construction and commercial real estate loans to small and medium sized businesses and developers located in and around the Las Vegas, Nevada area. Many of these businesses provide goods and services, directly or indirectly, to the development of the infrastructure in and around Las Vegas that service the growing population. Valley Bank also provides a broad range of banking services and products to its customers, including personal checking and savings accounts, electronic banking, and other consumer banking products.

As of June 30, 2006, Valley Bank had five branches, including two in Las Vegas, two in Henderson, a suburb of Las Vegas, and one in Pahrump, Nevada, which is 60 miles west of Las Vegas. Valley Bank focuses its banking activities in two counties, Clark County, which includes Las Vegas and Henderson, and Nye County, where the Pahrump branch is located.

Valley's website is located at [www.valleybancorp.com](http://www.valleybancorp.com).

**Additional Information**

Additional information concerning Valley is included in the Valley documents filed with the SEC, which are incorporated by reference in this document. See **Where You Can Find More Information** beginning on page 76.

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**UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

These pro forma combined figures are arithmetical combinations of Community's and Valley's separate financial results modified to reflect certain acquisition-related adjustments. These presentations include an unaudited pro forma balance sheet as of June 30, 2006 prepared under the assumptions that (i) the transaction is accounted for using the purchase method of accounting, (ii) 75% of Valley's common stock is exchanged for Community stock with the remaining 25% of Valley's common stock exchanged for cash, subject to adjustment as described in the merger agreement. The consideration is subject to adjustment such that Valley stockholders will receive \$46.00 per share if the average closing price for Community's stock for the twenty trading days ending three days prior to closing is valued between \$28.26 and \$34.54. If Community's twenty-day average is below \$28.26 or above \$34.54, the per share value to be received by Valley stockholders and the percentages of cash and stock will vary as more fully described in the merger agreement. For purposes of illustration, the pro forma combined figures have been calculated using an implied exchange ratio of 1.4801 shares of Community common stock for each share of Valley common stock. Unaudited pro forma combined statements of income are also presented for the six months ended June 30, 2006 and the twelve months ended December 31, 2005. The unaudited pro forma combined balance sheet assumes the merger took place on June 30, 2006. The unaudited pro forma combined statements of income give effect to the merger as if it had occurred as of the beginning of the period. Certain assumptions associated with these statements are shown as footnotes to these pro forma financial statements.

The unaudited pro forma condensed combined financial statements are presented for information purposes only and you should not assume that the combined company would have achieved the pro forma combined results if they had actually been combined on the date or at the beginning of the periods presented.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. The unaudited pro forma combined financial statements, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, do not reflect the benefits of expected cost savings or opportunities to earn additional revenue, nor do they reflect business integration costs which Community expects to incur and, accordingly, do not attempt to predict or suggest future results.

Community currently expects to consummate the merger in the fourth quarter of 2006, subject to the receipt of all required regulatory approvals and approval of stockholders of Community and Valley. The following pro forma financial information does not include financial information relating to Community's pending acquisition of Cactus Commerce Bank.

**Table of Contents****UNAUDITED PRO FORMA COMBINED BALANCE SHEET**

As of June 30, 2006

	Community Bancorp	Valley Bancorp	Pro Forma Adjustments		Pro Forma Combined
	<i>(Dollars in thousands)</i>				
<b>ASSETS:</b>					
Cash and due from banks	\$ 27,195	\$ 6,965	\$		\$ 34,160
Interest-bearing deposits at other financial institutions		7,895			7,895
Federal funds sold	44,611	52,860	(39,053)	(a)	58,418
Investments:					
Securities available for sale, at estimated fair value	80,172	33,829			114,001
Securities held to maturity, at amortized cost	1,358				1,358
Investment in Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB) and Pacific Coast Bankers Bank (PCBB) stock	5,028	998			6,026
Loans	803,328	331,658			1,134,986
Less allowance for loan losses	(9,730)	(3,317)			(13,047)
<b>Net loans</b>	<b>793,598</b>	<b>328,341</b>			<b>1,121,939</b>
Premises and equipment, net	14,824	7,259			22,083
Accrued interest receivable	4,384	1,593			5,977
Deferred tax asset, net	1,266	731			1,997
Bank owned life insurance	9,824				9,824
Goodwill	18,868		88,193	(b)	107,061
Core deposit intangible assets	4,697		8,485	(b)	13,182
Other assets	3,688	193			3,881
<b>Total assets</b>	<b>\$ 1,009,513</b>	<b>\$ 440,664</b>	<b>\$ 57,625</b>		<b>\$ 1,507,802</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>					
<b>Deposits</b>					
Non-interest bearing	\$ 174,636	\$ 51,887	\$		\$ 226,523
Interest bearing	618,797	325,661			944,458
<b>Total deposits</b>	<b>793,433</b>	<b>377,548</b>			<b>1,170,981</b>
Short term borrowings	16,000				16,000
Long term borrowings	43,500	15,404			58,904
Accrued stock appreciation rights	400				400
Accrued interest payable and other liabilities	5,925	2,278			8,203
Junior subordinated debt	36,083				36,083
<b>Total liabilities</b>	<b>895,341</b>	<b>395,230</b>			<b>1,290,571</b>
<b>Stockholders equity</b>					
Common stock	7	2,064	(2,064)	(c)	
			3	(d)	10
Additional paid-in capital	72,105	30,148	(30,148)	(c)	
			103,056	(d)	175,161
Retained earnings	43,951	13,935	(13,935)	(c)	43,951
Accumulated other comprehensive income	(1,606)	(713)	713	(c)	(1,606)
Less cost of treasury stock	(285)				(285)
<b>Total stockholders equity</b>	<b>114,172</b>	<b>45,434</b>	<b>57,625</b>		<b>217,231</b>



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<b>Total liabilities and stockholders equity</b>	<b>\$ 1,009,513</b>	<b>\$ 440,664</b>	<b>\$ 57,625</b>	<b>\$ 1,507,802</b>
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See Notes to Unaudited Pro Forma Combined Financial Statements.

**Table of Contents****UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME**

For the six months ended June 30, 2006

	Community Bancorp	Valley Bancorp	Pro Forma Adjustments	Pro Forma Combined
<i>(Dollars in thousands, except share data)</i>				
Interest and dividend income:				
Loans, including fees	\$ 32,960	\$ 14,220	\$	\$ 47,180
Securities	1,957	690		2,647
Federal funds sold	1,000	968	(977)	(e) 991
Other	42			42
<b>Total interest and dividend income</b>	<b>35,959</b>	<b>15,878</b>	<b>(977)</b>	<b>50,860</b>
Interest expense on:				
Deposits	9,914	5,107		15,021
Short term borrowings	323			323
Long term borrowings	800	321		1,121
Junior subordinated debt	1,248			1,248
	12,285	5,428		17,713
<b>Net interest income</b>	<b>23,674</b>	<b>10,450</b>	<b>(977)</b>	<b>33,147</b>
Provision for loan losses	1,607	279		1,886
<b>Net interest income after provision for loan losses</b>	<b>22,067</b>	<b>10,171</b>	<b>(977)</b>	<b>31,261</b>
Other income:				
Service charge and other income	883	146		1,029
Income from bank owned life insurance	126			126
Rental income	73			73
Total other operating income	1,082	146		1,228
Other expenses:				
Salaries, wages and employee benefits	6,363	2,471		8,834
Occupancy, equipment and depreciation	1,556	481		2,037
Professional fees	635	451		1,086
Advertising and public relations	491	153		644
Data processing	456	238		694
Core deposit intangible amortization	381		530	(f) 911
Stock appreciation rights	42			42
Other expenses	2,374	976		3,350
	12,298	4,770	530	17,598
<b>Income before income taxes</b>	<b>10,851</b>	<b>5,547</b>	<b>(1,507)</b>	<b>14,891</b>
Income tax expense	3,663	1,907	(512)	(g) 5,058
<b>Net income</b>	<b>\$ 7,188</b>	<b>\$ 3,640</b>	<b>\$ (995)</b>	<b>\$ 9,833</b>