

Banking and Finance:

What Size Bank is Right for Your Business

SAN DIEGO BUSINESS JOURNAL SUPPLEMENT



Q&A with Local Bank Executives
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WHERE BUSINESS GETS DONE.

Q&A Roundtable

The banking environment has seen quantum changes in recent years and banks of every size have reinvented their strategies, goals and core values to tap into traditional and non-traditional markets. We asked two of San Diego's top banking executives for their perspectives on the assets that banks of every size bring to San Diego's economic table.



Tom Woolway
Senior Vice President
Regional Manager, North
County Markets
Torrey Pines Bank



Ernesto Arredondo
Wells Fargo Vice President
San Diego President
Wells Fargo



1 What are the biggest differences a business owner may find between a large vs. a small bank?

Ernesto Arredondo
Wells Fargo Vice President
San Diego President
Wells Fargo

The San Diego community needs strong banks of all shapes and sizes to thrive and grow as each play an important role in our community's well-being. At Wells Fargo, we believe that you don't need to be a small bank to be a community bank. Wells Fargo has unique resources and capabilities; our innovative team approach allows us to meet the evolving needs of customers by offering them a wide range of products and services, while providing the resources of a national company with the benefits of local relationships and decision making. For example, we can meet the banking needs of business owners who require access to capital markets, cash management services, large credit lines, foreign exchange and trade payments capabilities, and investment products. We also provide convenience through a network of 324 ATMs and 104 store locations in San Diego County. We also have driven innovation in mobile banking, advanced clearing technologies and cyber security allowing business customers to bank anytime anywhere.

Tom Woolway
Senior Vice President
Regional Manager, North County Markets
Torrey Pines Bank

I've worked for both large and small institutions. From my vantage point the biggest differentiator between large and small banks boils down to service. For business owners

who desire guidance and advice to help them navigate various economic conditions they may find a higher level of personal service at a smaller institution, with a relationship manager who offers years of commercial banking and local market knowledge. However, if they need a broader spectrum of products and capabilities, like treasury management services or long-term fixed rate loans, larger institutions may be better equipped. Luckily, clients of Torrey Pines Bank don't have to choose either or – they have the best of both worlds. Torrey Pines Bank offers the resources of a large institution with the access to decision-makers and financial capacity to help our clients take advantage of market opportunities to position themselves for success.

2 How do large and small banks' procedures and processes differ and how are they evolving since the recession?

Ernesto Arredondo
Wells Fargo Vice President
San Diego President
Wells Fargo

At Wells Fargo we have the unique combination of national distribution and local teams that are able to respond to customers and communities quickly, as if we were a bank a fraction of our size. We also have incredible multichannel distribution. Nearly half of the households and small businesses in the United States within our footprint are located within two miles of a Wells Fargo store or ATM.

An example of how our business model works for small business customers is, as the economy gradually improves, Wells Fargo is growing new lending commitments to small

businesses. We provided more new loan dollars for small businesses in 2012 than the prior year. Wells Fargo is approving as many business loan applications as we can while applying our disciplined credit and underwriting principles. As San Diego's number one lender to small businesses, lending is never just a singular transaction for us, it is the basis for building a life-long relationship. Whether you are a small business with sales up to \$2 million or up to \$20 million, you can count on us for swift decision-making and a team of banking professionals committed to meeting all your financial needs, during every phase of your company's life cycle.

For businesses with annual sales up to \$2 million, our 50+ business specialists in our San Diego stores understand our customers' unique needs to ensure they receive the right credit solution while working hard to oversee the entire loan process. Customers can expect a quick credit decision within three business days once a complete loan package has been submitted.

Businesses with annual sales of \$2 to \$20 million benefit from the same personalized service, team of dedicated professionals, turnaround time, and local decision-making for credit and pricing for their more complex needs from our 85+ local relationship-based business bankers.

Tom Woolway
Senior Vice President
Regional Manager, North County Markets
Torrey Pines Bank

With advancements in technology and heightened regulatory scrutiny, banks can tend to have similar processes and procedures,

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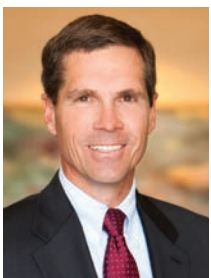
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We offer local experts recognized for their in-depth market knowledge and attention to customer service with the financial power to transform opportunity into success.

If you are looking for guidance on growing your business, maybe now is the time to ally yourself with a true community bank with capacity. Torrey Pines Bank — it's where business gets done.



TOM WOOLWAY
SVP/North Coastal Markets
Manager, Carmel Valley
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FINANCIAL HIGHLIGHTS¹

- \$2 Billion in assets
- All capital levels exceed FDIC requirements
- Substantial capacity to fund business loans and lines of credit²
- Expanded FDIC insurance options, including WALTree, CDARS and ICS³
- Rated Superior by IDC Management and Super Premier by The Findley Reports⁴
- Over \$2 million donated to California charities

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¹ Financial data presented is as of 06/30/2013. ² All offers of credit are subject to credit approval. ³ The WALTree program is provided through Bank of Nevada, Torrey Pines Bank and Western Alliance Bank, affiliates of Western Alliance Bancorporation. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. CDARS and ICS are registered service marks of Promontory Interfinancial Network, LLC. Subject to terms, conditions and disclosures set forth in the agreements. Limits and customer eligibility criteria apply. ⁴ Based on fourth quarter 2012, IDC Financial Publishing, Inc. and 2011 financial performance, The Findley Reports.

Q&A Roundtable

but what differentiates the client experience is the delivery channel and levels of service that are offered. Large and small banks play a critical function in circulating money out of the system and to its customers. Larger institutions tend to have more independent lines of business with functional leaders with P & L accountability. They are adept and well versed for their specialty group, but may look at a customer request through a singular lens. Community banks like ours tend to offer a relationship officer who has a deep understanding of their clients' business and industry and manages all requests ensuring the client's needs are addressed within the framework of the bank's capabilities.

3 Describe your commitment to San Diego small business owners.

Ernesto Arredondo
*Wells Fargo Vice President
San Diego President
Wells Fargo*

We do everything we can to say "yes" to credit worthy borrowers. This is just part of our commitment to strengthen local economies by helping small business stay competitive, grow, and add jobs. With 128 team members and five office locations in Southern California, no other competitor has the market presence to serve customers and communities as we do. For the 2012 fiscal year, Wells Fargo is the number one SBA lender in San Diego County, financing \$49.2 million in SBA 7(a) loans through 94 loans to San Diego County small business owners.

Tom Woolway
*Senior Vice President
Regional Manager, North County Markets
Torrey Pines Bank*

Torrey Pines Bank was built to serve local entrepreneurs and business owners. Since our founding in 2003 we've made a commitment to be a well-managed, conservative institution that lends to the long term success of our company and be a viable partner to our clients. We offer the financial capacity that meets the credit needs of probably 90 percent of local businesses, but our high level of service does not end with credit solutions. Our small business clients can take advantage of our proprietary Business InSight Report. The Report helps small businesses gauge their success through a three step consultation: identification of key financial ratios, a comparative financial analysis with other businesses of similar size within their industry, as well as guidance on strategies they can consider to improve their cash flow, risk profile and succession plan. With the client's aspirations in

mind, the banker can then recommend solutions that may help the business owner achieve their goals.

4 In what ways do you invest in the local community?

Ernesto Arredondo
*Wells Fargo Vice President
San Diego President
Wells Fargo*

At Wells Fargo, we believe that we can only be as successful as the communities we serve. That's why in 2012, Wells Fargo donated a total of \$6 million to more than 690 schools and nonprofits in the Southern California region. In San Diego, we donated \$3.6 million to more than 420 schools and nonprofits. This is not about charity, it's about thoughtful investing in the future of our communities where our team members and customers live and work.

Our team members also are dedicated to serving the community and do so by volunteering in their local neighborhoods. Last year, our San Diego team members rolled up their sleeves and recorded 10,000 volunteer hours supporting their local communities. In addition, every year our team members participate in our annual team member Community Support and United Way Campaign. In 2012 our San Diego County team members contributed an unprecedented \$465,000 to organizations that are near and dear to them. We also have more than 70 team members who serve on local nonprofit boards.

Tom Woolway
*Senior Vice President
Regional Manager, North County Markets
Torrey Pines Bank*

At Torrey Pines Bank you'll find our team giving of their time and talent to ensure the San Diego region remains economically strong and a great place to live and do business – and rightfully so. For us, our business is all about investing in the community. From the business loans we extend that help business owners hire more people and purchase equipment to real estate to projects we finance that include affordable housing that middle class families can afford – that is the work of a Torrey Pines' banker. The Bank has donated more than \$2 million to local charities and encourages the staff to be involved in a nonprofit board or committee. If you look around, Torrey Pines Bank has touched so many people and organizations; I am very fortunate to represent the Bank when I meet new people or run into bank clients.

5 What services and support do you offer to the military and veteran community?

Ernesto Arredondo
*Wells Fargo Vice President
San Diego President
Wells Fargo*

In San Diego, we recognize the need to support local veterans, active duty military, and their families and we do this in a variety of ways. We offer our Worldwide Military Banking program and newly launched Military Hands on Banking financial education program, where both are designed to address military member's unique financial needs.

We are actively hiring veterans and active duty spouses. We participate in multiple military job and career fairs. We also support military spouses since Wells Fargo has more than 9,000 branch locations which make it convenient for families who have to relocate. We also provide coaching, career advice, interview and resume writing training to transitioning military. Since last December, we've participated in five military career events and job fairs in the San Diego including Veterans Workshop, Boots on the Ground, Hiring Our Heroes – Military Spouses.

Another way we support the military and veterans is through our foundation giving. Last year Wells Fargo donated \$350,000 to San Diego military nonprofits, a few examples include Operation Homefront, Reboot, Simper Fi Fund, Veterans Villages of San Diego, and the Armed Forces YMCA. Wells Fargo also donated a renovated mortgage-free home in El Cajon to a wounded Navy Seal in partnership with the Military Foundation.

Tom Woolway
*Senior Vice President
Regional Manager, North County Markets
Torrey Pines Bank*

At Torrey Pines Bank we are proud of the work we do supporting Camp Pendleton's Business 101 seminar series. The series helps transitioning senior NCOs and Officers who are entering the civilian workforce and are interested in starting a business. The seminars offer practice advice from everything from developing a business plan and accessing working capital to the legal aspects of starting a business like applying for necessary licenses. Just recently, all of Torrey Pines Bank's executive and senior leadership participated in a day of service, partnering with Wounded Warriors and Project Home Front, which provides affordable transitional housing for returning veterans along with financial literacy and budgeting. It's an honor to give of our time and expertise to the men and women who protect our country.



TORREY PINES BANK

WHERE BUSINESS GETS DONE.

Financial Tools That Are Helping Business Owners Capitalize On Improving Economy

Many businesses suffered greatly during the recent economic recession. Some of these companies went out of business because their management did not implement successful strategies that were required in order to stay afloat. There were other companies, though, that stayed the course, or even better, still found growth opportunities during the down economy. I have been a local banker for more than 30 years and appreciate the hard work it takes to run a business even in the best of times.

It looks like good things are happening on the economic horizon. There are many signals pointing to the pent up demand for products and services and this demand is now a stimulus in the recovery of our economy. These conditions are prompting many entrepreneurs to get back in the game – starting new companies and seeking business loans to grow existing operations. This is also prompting business owners to formulate strategies to help them take advantage of the current environment and to remain a viable operation for the long term.

Working Capital

One of the most effective strategies employed by business owners is the efficient use of working capital - balancing current sales and future growth potential with adequate cash to support those plans. When a business anticipates increased sales company management needs to either deploy more cash into the operation or generate working capital from a credit facility such as a line of credit.

When a company is seeking a line of credit it is important that management know the type of lender they are approaching with this request. Typically, most banks are historical cash flow lenders. Other lenders will rely on collateral while others will lend strictly on accounts receivable. Banks, though, tend to be cash flow lenders. They want to see a good solid primary and secondary source of repayment as a means of repayment for the requested loan. The primary source of repayment will usually be the ongoing cash flow generated by the operation of the business. The secondary source of repayment can include the value of any collateral that is provided and the financial strength of the guarantors of the loan. In almost all cases, banks will require business owners to provide a personal guarantee for loans provided to their company. In many cases, business owners tend to have all of their assets tied up in their business which presents an obstacle when they need their personal financial strength to support a guarantee. Even if a company has good cash flow (primary source of repayment), should the guarantor's financial strength (secondary source of repayment) be weak, the bank will likely have difficulty approving the loan.

Intermediary Lenders

Fortunately, there are intermediary lenders that work with commercial banks to provide what's known as a loan guarantee – which is in effect the secondary source of repayment a bank would want to see. At **Torrey Pines Bank** we partner with **California Southern Small Business Development Corporation (Cal Southern)**, which has enabled us to help a number of our customers who have profitable businesses but lacked a good secondary source of repayment and did not quite meet the risk profile to access the working capital they needed.

Established in 1989, Cal Southern is organized as a nonprofit, public benefit corporation. It is one of 11 funded loan guarantee programs in the state of California. The primary mission of Cal Southern is to assist small businesses who cannot qualify for a loan without a guarantee. The program places special emphasis on women and minority-owned businesses, as well as businesses located in the enterprise zones.

Cal Southern has formed relationships with more than 40 banks and lending institutions which allow it to assist small businesses that have great potential, but lack credit strength. Over the past five years, Cal Southern has guaranteed more than 600 loans for a total loan amount of more than \$56 million.

Business InSight Report

Another tool which was developed at Torrey Pines Bank is our proprietary **Business InSight Report**. The Report helps small businesses gauge their success through a three step consultation: identification of key financial ratios, a comparative financial analysis with other businesses of similar size within their industry, as well as guidance on strategies they can consider to improve their cash flow, risk profile and succession plan. With the client's aspirations in mind, the banker can then recommend solutions that may help the business owner achieve their goals. This is a great tool that business owners should consider before applying for a loan. You'll get the guidance you need without the disappointment that sometimes follows a loan request.

As always, before you consider applying for a loan you may want to conduct your own assessment using a bank's judgment process. They look at the 5 Cs of credit:

- **Character** – honesty, integrity, honoring obligations
- **Capacity** – assessment of the primary and secondary sources of repayment
- **Capital** – equity in the business
- **Collateral** – secondary source of repayment when the primary source is not available
- **Conditions** – general market and industry economic conditions and company position

Your bank should have the customer service to help you navigate the ebb and flows of your operation and the lending capacity that will meet your objectives – and mostly the desire to celebrate your business success! If you're interested in learning more about these tools or other guidance please give me a call. I'd welcome your phone call.



Submitted by Torrey Pines Bank

Tom Woolway is Senior Vice President and Regional Manager of Torrey Pines Bank's North County market. For over 30 years Tom has built a distinguished career as a local banking leader, providing guidance and solutions to businesses of all size that operate in San Diego and Southern California as well as retiring from the Navy with the rank of Commander.



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San Diego County Credit Union® (SDCCU®) is proud to be San Diego's largest locally-owned financial institution. What truly sets SDCCU apart from other financial institutions is that they offer big bank products, in many cases, superior banking products, but without the big bank costs.

It may appear that banks and credit unions are fairly comparable. Both offer similar financial products such as checking and saving accounts and a variety of loan products. Yet, when you look more closely, there are some important differences.

A common misconception about a credit union is that they lack the accessibility that a big bank offers. SDCCU has made it their goal to provide sound financial services to members, any where, any way, any time. SDCCU members have access to over 30,000 surcharge-free CO-OP ATMs that can be easily located via the ATM locator service found at sdccu.com. That's more than most big banks offer. Furthermore, SDCCU outpaced several notable big banks and credit unions with the launch of SDCCU Mobile Deposit, a check-deposit app available for Internet Branch online banking users with Android™, iPhone® and BlackBerry® devices. This service offers a new level of convenience to members who may be too busy to visit a branch or ATM to make a check deposit.

For added customer service and accessibility, SDCCU added Mobile Live Chat services for members using smartphones, making SDCCU the first of two U.S.-based companies at the time, to offer live chat capabilities for both iPhone and Android mobile devices. Consumers who carry mobile devices can connect in real-time to a SDCCU representative via a secure instant message.

While most appreciate mobile accessibility, SDCCU recognizes that it is important to have face-to-face interaction with your financial institution. This year, SDCCU expanded its network to 31 branches with the addition of new branches located in the Rancho Bernardo and Rancho Penasquitos communities.

In addition to mobile and face-to-face accessibility, SDCCU also offers a complete array of eServices to give convenient 24/7 access to information from anywhere members can access online banking. Some of these services include eNotices, eTax Forms and eReceipts. With eNotices, most notices, letters and other account related correspondence are available via the security of online banking. It is also faster than receiving a notice through traditional mail. eTax Forms take away the stress of trying to find important tax forms during tax time. eReceipts allow members to keep track of transaction receipts by saving them in online banking for future reference.

Submitted by San Diego County Credit Union

San Diego County Credit Union is San Diego's largest locally-owned financial institution serving San Diego, Riverside and Orange counties. SDCCU has assets of over \$6.2 billion, more than 247,000 customers, 31 convenient branch locations and 30,000 surcharge-FREE ATMs. From FREE Checking with eStatements and SDCCU Mobile Deposit, to home and auto loans, Visa® credit cards, money market accounts and business banking services, including commercial real estate loans; SDCCU provides breakthrough banking products that meet the demands of today's lifestyle and delivers banking services that save members money. Federally insured by NCUA and is an equal housing lender. For more information, visit www.sdccu.com.



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2014 Banking Outlook

Blockbuster/Supplement

The year 2014 will bring many shift in the banking, finance and credit industries. New laws, government budget restrictions and global economic forces will have a major impact on our local economy and industries. This supplement is your opportunity to showcase your expertise and speak to San Diego's business executives on potential climate changes in the banking industry and its effect on their organization's bottom line. Establish your company as a thought leader in forecasting important trends and advising strategies for success in the supplement's featured roundtable discussion. You will also have an opportunity to submit a "Guest-written Article" to include in the section.

In addition to the supplement, the *San Diego Business Journal* will publish a Banking and Finance special report, along with a comprehensive list of banks, credit unions, SBA lenders and wealth management companies in this edition.

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For more information contact **Lauren Mannella** at 858.277.6595 or lmannella@sdbj.com



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