

# CORPORATE *Finance*

*An Advertising Feature to the Orange County Business Journal • September 28, 2009*

## Pacific Mercantile Bank Celebrates 10 Successful Years and Looks to the Future

*by Barbara Palermo, Executive Vice President, Pacific Mercantile Bank*

On March 1, 2009, Pacific Mercantile Bank (“the Bank” / “PMB”) reached an auspicious milestone, the Bank’s Ten Year Anniversary. We have not yet officially celebrated the occasion due to the renewal of our corporate headquarters’ lease at 949 South Coast Drive in Costa Mesa with Arnel Properties, and our complete remodel of our corporate offices. The remodel will facilitate the Bank’s expansion as we move into our second decade, and allow the various departments to work synergistically once again, as well as accommodate our growing mortgage division. Therefore, we decided to celebrate our 10<sup>th</sup> Anniversary and show off our beautiful updated facility to all of our customers, investors and supporters upon completion of our remodel. We anticipate that to be sometime in January.

### The first decade and beyond

This might also be a good time to sum up the Bank’s first ten years and to talk about PMB’s move into our next decade. The Bank opened its doors in Newport Beach on March 1, 1999, put its Internet Bank, *pmbank.com*, online in April and opened its Mortgage Division in June of that year. The vision of our President and CEO, Ray Dellerba, the Board of Directors and the Bank’s Senior Management, on which the Bank was founded, has served us well and continues to guide us today. That vision was to become the premier Orange County headquartered Commercial Community Bank by employing a strategy of providing “High Tech and High Personal Touch” banking to the small and mid-sized companies, professionals and individuals in Southern California.

How did we go about accomplishing that? In 1999 we were one of the first bank startups to hire both a Chief Technology Officer and a Chief Information Officer at the outset. Ray Dellerba saw that the technology was available, with an inexpensive investment, to deliver leading edge technology via the Internet to our banking niche that many of the big banks, with their behemoth computer systems, could not provide even to their largest customers. He also anticipated that the “Internet only” type banks would not survive – that although people wanted the convenience of electronic banking, they still wanted bricks and mortar and experienced bankers available to assist them with their financial needs. PMB provided both “click” and “mortar” – the “click” of a mouse for Internet banking, and real banking financial centers “mortar” with seasoned bankers that understood customer businesses and provided the combination of technology and personalized, customized service.

### The right combination at the right time

With the support of our shareholders, directors, customers and dedicated staff and management, the Bank in Newport Beach quickly grew, adding a financial banking center in San Clemente (now relocated to San Juan Capistrano), followed by an expansion of our corporate headquarters with a move to Costa Mesa and the opening of a financial banking center there

as well. This was followed by opening another in Beverly Hills, followed by La Habra, La Jolla, Ontario and Long Beach. The Bank hit the One Billion \$\$ in Assets Mark in our seventh year – the first time a bank, headquartered in Orange County, had ever hit and surpassed that magic billion dollar mark. All this was accomplished through some very troubling economic and historic times.

In 2000, right while we were in the midst of our first public S-1 offering to raise additional capital for our growing Bank and were presenting at an investors’ convention in Miami, the “dot.com” bubble burst. Many of the presenters packed up and went home, unable to raise funds. We persevered and were able to close our offering and raise our capital. And it was our story that got people to invest, that combination of “high tech-personal touch,” “click to mortar,” community banking. That combination of commercial banking, mortgage banking and Internet banking – the right combination at the right time.

### Meeting the challenges

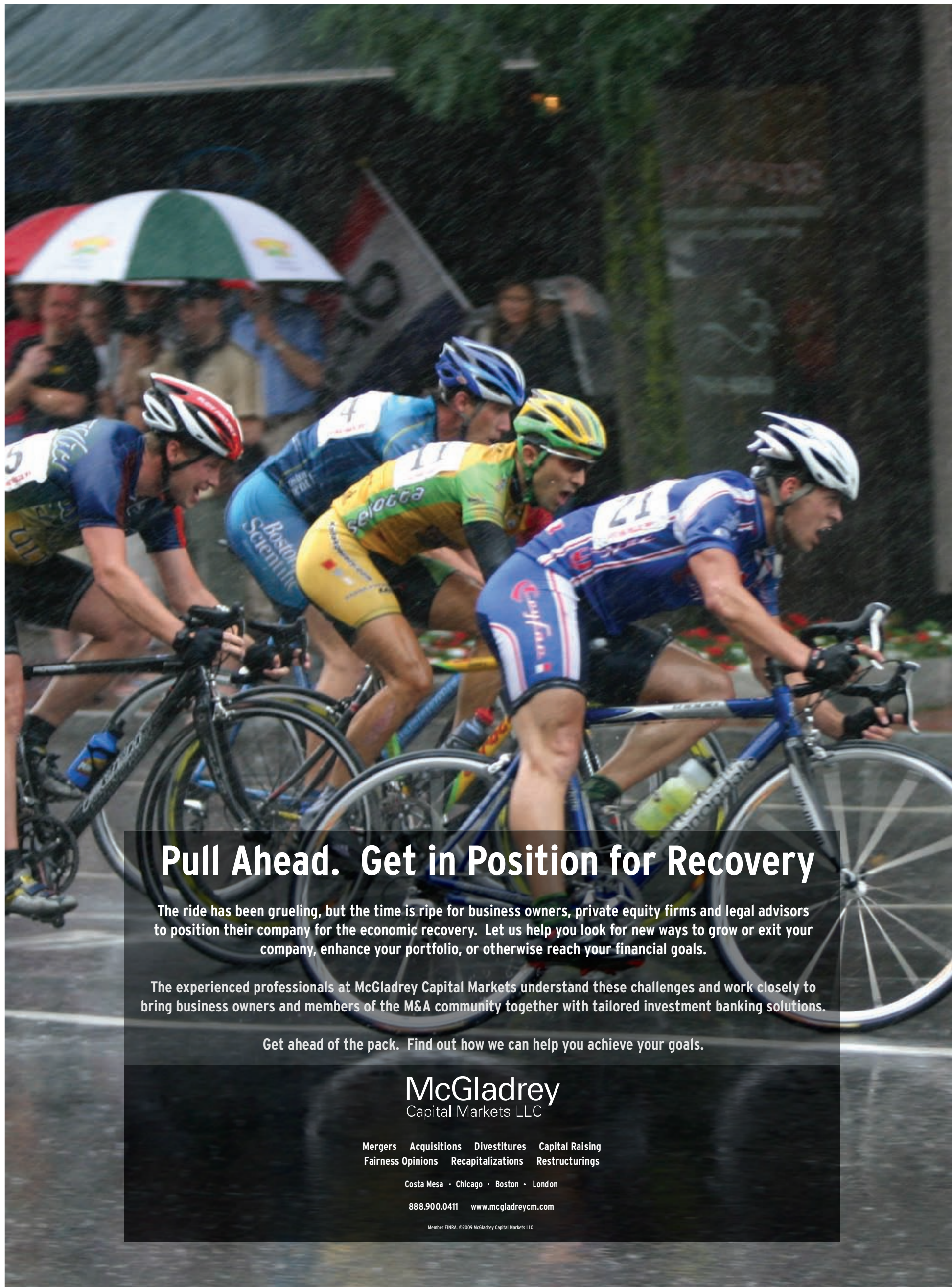
Then came the day that none of us will ever forget, September 11, 2001. The world seemed to stop turning on its axis, we were in total disbelief, numb. America, attacked by terrorists, thousands of our citizens dying before our eyes, glued to our TVs in horror. Our economy ground to a virtual standstill. We were exhorted to fight back by not letting them think they had gotten us down, grieve, but go on with your lives, show them our American spirit. Businesses did not know how to react and so commerce went flat, but the interest rates dropped to spur the market and people began to buy those homes that are part of our American dream. Now our mortgage division took the lead and kept us profitable and growing during that difficult time.

The economy boomed as people bought their first home, refinanced, bought those plasma TVs, that boat, the vacation home; it all became so easy, too easy, too fast. There was talk of a bubble burst by some dour economists, but interest rates kept dropping, and the bubble grew ever bigger. Late in 2004, when most people with credit had purchased their homes and refinanced, some of our mortgage people wanted to get into “creative financing” for those people that didn’t have the credit for documented loans, to move into subprime loans. Our President and Board had the foresight to stay out of that business. We were a bank that prided itself in doing “A” paper loans that we sold off to the secondary market. We were not after the fast money and big fees. We were a community bank, concerned about the long term health of the Bank and the communities we served. So we made the difficult decision to get out of the mortgage market at the very height of that market, even though the mortgage division was part of our strategic plan – commercial banking and mortgage, one a hedge against the other in a normally changing economy. The bubble burst, the financial markets collapsed and the economy went into freefall. Many of the banks and mort-

*continued on page A-20*







## Pull Ahead. Get in Position for Recovery

The ride has been grueling, but the time is ripe for business owners, private equity firms and legal advisors to position their company for the economic recovery. Let us help you look for new ways to grow or exit your company, enhance your portfolio, or otherwise reach your financial goals.

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# Why a Business Owner's Exit Plan is So Important

by Trudy D. Haussmann, CFP™

**T**here are plenty of days when we want to "take that job and shove it." But what happens when we're sick of a job we've created for ourselves in a business we've founded?

The idea is to make a plan that allows you to get out before you tire of your company or before you are overwhelmed by personal, industrial or economic factors that force you to sell, transfer or close a company. This is called an exit plan.

Everyone glamorizes creating a business as a way to completely control one's own destiny. But it's ironic how many businesses go on day-to-day without any thought to a proper ending. An exit plan is not only a set of mental notes about how one should pack up and move on. It is a way to focus an owner's thinking about:

A family legacy – should a business be passed on to family or associates, or should it simply be sold or closed?

The owner's own career goals – does an owner want to do this for the rest of his or her life, or should they make way for other professional or personal directions?

The creation of wealth – too many people think of a business as a job and a paycheck instead of a creator of wealth that can support one or more generations of a family. A paycheck supports short-term goals; wealth is accumulated money that can either be invested smartly in the business or outside the business to support philanthropy, or family and personal goals.

A retirement strategy that allows an owner to do everything they've dreamed after they quit.

## Plan ahead

An exit plan isn't born in a day. In fact, many financial experts in investment, tax and estate planning disciplines think it's wise for business owners to come up with an exit plan when they start a company if possible and, if not, within 3-5 years of the date they'd like to exit. Haussmann Financial Inc. professionals with specific expertise in working with business owners could be a helpful partner in helping you determine the following:

- How many more years do I want to run this business?
- What's the optimal way to get rid of the business when I'm ready to go? Do I want to sell it, transfer it to family or associates or just close it down?
- What if I got a fantastic offer on the business tomorrow? What would I do?
- If I sold my business, how would I protect myself from personal and business tax standpoints?
- How do I communicate my wishes and ideas with my spouse, kids and other family

members with a stake in the business?

- What about my employees, clients and customers? How do I protect them if I die or decide to leave?

- How much money do I want in my life after my business, and what would I do with it?

- What should I do to make my business as valuable as possible?

- How do I plan the tax implications of my actions toward the end?

- If I have investors, how do I make them happy as I leave?

- Are there any specific accomplishments I want this business to make before I leave?

## Create opportunities

An exit plan allows you to not only to change your own employment, but to help you change your whole career if you choose. No one has to stay in the same industry – or company – for life, and with an exit plan, you can leave open the possibility for an endpoint that will allow you to travel, do philanthropy or any number of new activities in business or other walks of life.

The financial planning aspect of the exit plan will align your monetary needs with your career or post-career needs. Your exit plan can do whatever you want it to. Some entrepreneurs build sabbatical time and other arrangements for study and learning into the timeframe leading up to their exit to help them refresh their minds and decide what their next career or vocation will be.

The bottom line is that it's never really too early to start thinking of an exit plan for a business you've formed. Today, smart entrepreneurs start asking themselves those questions as they're organizing and forming companies. Get some good advice to start that discussion.

*This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Trudy D. Haussmann, CFP™, a local member of FPA.*

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**PACIFIC MERCANTILE BANK***continued from page A-17*

gage companies, supported by Wall Street during that frenzied time, have failed.

We continued building the commercial side of our Bank by adding some commercial banking niches, SBA, medical and entertainment, to make up for the income lost by the closure of our mortgage division. We tightened our belts, stuck to our solid underwriting guidelines and continued to make loans when many banks could not, because we remained well capitalized and liquid. In January of 2007, we basically stopped all construction lending because we saw the danger looming there as well.

True, our stock took a hit along with other financial stocks because we were all painted by the same brush, even though our book value stayed considerably above market value. We also took a hit last year because some of our good commercial customers were affected by the economy, but in our \$1.2 Billion asset size Bank, the loss, although painful, was easily sustainable.

**Revitalized mortgage division**

In late 2008, Ray Dellerba again made one of his predictions after much financial plotting of curves and graphs and charts on his Bloomberg machine and informed the Board and senior management that now was the time to get back into the mortgage business. They trusted that vision, as did the shareholders at our annual meeting. We quickly geared up and built a mortgage division with some very seasoned mortgage professionals, got FHA Title II approval and

started funding conventional and government loans in May of this year.

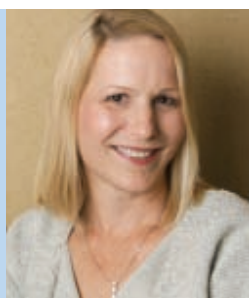
We've expanded and strengthened our compliance department by adding mortgage compliance professionals. We've broadened our credit department with a new Chief Credit Officer and Credit Administrators, who have worked diligently to clean up any bad assets. We've hired a very experienced Chief Operating Officer and added staff to our Finance and Internet Banking areas.

**New bank-wide operating system in place**

On September 14<sup>th</sup> we converted to a new Bank-wide operating system, Metavante, which enhances our internal operating systems and service capabilities for our customers with better cash management and Internet banking services. This allows us to stay at the forefront of "high tech – high personal touch." All this was accomplished quite smoothly with the ability of a dedicated, talented operations team and a technically savvy, dedicated tech team.

The combination of professional commercial loan and banking officers, a dedicated operations staff in the branches, strong central operations, an expanded credit department, an enhanced compliance department, a solid financial and administrative department, a robust new mortgage division, a savvy technical department, all supported by committed senior management and Board, and reinforced with the backbone of a state of the art operating system, position Pacific Mercantile Bank to confidently embark on its next decade.

*For more information, please visit [pmbank.com](http://pmbank.com).*



## It's Time For A Second Opinion Haussmann Financial, Inc.

**Haussmann Financial, Inc.**

How do you know if you've got the right investments? You've received advice from others and have done some research on your own, but what makes you confident your dollars are in the right place today?

If you're like many, you've relied upon the advice of a broker or advisor who has been employed by one of the big Wall Street investment firms. I want to invite you to get a second opinion of your investment and retirement portfolio. You may have things in order and, if so, we'll let you know. But you may have some pieces of your portfolio that are out of whack. If that's the case, we'll tell you and make some recommendations on how you may improve.

Because Haussmann Financial, Inc. is independent, our asset management program is not tied to one type of investment product. Unlike many major Wall Street firms, we don't have the conflict of recommending a competitor's investment products over our own. We are free to choose from thousands of investments to find the ones we believe are right for you.

You can be confident that you'll receive straight-forward advice, because our advisors have no financial incentive to recommend one product over another. You'll simply receive direct, candid guidance. Call us today to schedule a free second opinion with one of our credentialed advisors.

**Trudy Haussmann, CFP™**  
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