

ORANGE COUNTY BUSINESS JOURNAL

\$1.50 VOL. 38 NO. 51

THE COMMUNITY OF BUSINESS™

DECEMBER 21, 2015 - JANUARY 3, 2016

Season's Greetings

There will not be a weekly issue for the week of Dec. 28; rather, subscribers will receive our 2016 Book of Lists.

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Luxury Homes **page 18**



Purple Pumper **page 27**



OC Style File **page 35**

Movies Part of Pacific Mercantile's Move

Recast Puts Emphasis on Relationships, Convergence of Tech, Entertainment

By JANE YU

Pacific Mercantile Bank is a different kind of bank as 2016 approaches.

The Costa Mesa-based unit of holding company Pacific Mercantile Bancorp, with about \$1.1 billion in assets, has been at work to shift its character from a generalist with a bent for commercial real estate lending to a relationship-driven business bank with niche specialties.

The change in its lending approach is part of an overall "turnaround and purposed recovery" of the company that

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Buster: will hand over reins next month



Vertin: will start 2016 in corner office



3450 E. Miraloma: company explores sale-leaseback to boost cash holdings

PacSun Eyes HQ Sale to Raise Cash

REAL ESTATE: Company would lease back Anaheim property

By MARK MUELLER

Pacific Sunwear of California Inc. is exploring a sale of its Anaheim headquarters in an effort to raise cash.

The apparel and accessories retailer has listed its 180,000-square-foot headquarters on East Miraloma Avenue for sale with the idea of leasing back the building from its new owner under a long-term contract.

The three-story building, which is a few blocks north of the Riverside (91) Freeway and near Boeing Co.'s former Anaheim campus, could fetch more than \$30 million from a potential investor, according to real estate watchers not involved in the

► PacSun 29

Paddling Along



Pacific Paddle Games: action sports publisher TEN combined prior contest with "Battle of the Paddle" for new event in Dana Point for families, competitors

MEDIA: Rumors of print's demise have been exaggerated

By MEDIHA DIMARTINO

The fate of the Orange County Register will likely begin to take shape early next year with the expected bankruptcy auction of Freedom Communications Inc., the daily newspaper's Santa Ana-based parent.

It's the latest step in the Register's long and

pockmarked road of recent years—Freedom emerged from a prior bankruptcy in 2010—that has dovetailed with a general decline in the fortunes of metropolitan dailies throughout the U.S.

There's no doubt the Register still matters—it remains the single largest media outlet in OC, where television coverage is limited by the regional shadow cast by broadcasters in Los Angeles, and the digital scene is fractured among various competitors in numerous niches.

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2016 Preview: OC Poised to Set Pace

Orange County's recovery has gone from the Great Recession to a moderate recovery and onto a leading place in Southern California's return to economic health over the past year.

Expect more of the same in 2016, which looks poised to blend enough job growth and consumer demand with an impressive lineup of key industries to keep the local recovery on track as the regional pacesetter.

There will, of course, be the trends within that larger trend, with any of the economy's various segments—or companies and key executives within them—being a potential newsmaker.



We give an overview of what to expect and pick some companies and people who bear watching on our inside pages of this last edition of the year.

Previews By Industry

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Marketing, page 10

Advantage Sees New Name as Solution

MARKETING: Change reflects turn toward digital as company nears \$2B

By MEDIHA DIMARTINO

Advantage Sales and Marketing LLC has outgrown its name.

The Irvine-based company has rebranded itself as Advantage Solutions to recognize a newcomer to its fold—the Digital Technology Division.

"Our name was great and served us well, but it no longer reflected who we really are as a best-in-class business services and solutions provider," said Chief Executive Tanya Domier, who established the company's marketing division 13 years after Sonny King founded the then-food brokerage in 1987. "We started with Advantage Sales and Marketing, but we only had sales. Then we added marketing, and now we have so many solutions, and that's how we see the value that we add to clients. We look, we listen, we understand what pain points they have in the business,



Cortese: new technology means marketer can "hypertarget in a micro location for a very specific brand or category"

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Pacific Mercantile

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was hit hard by the recent recession, said Chief Executive **Steven Buster**, who oversaw the strategic refocus and now plans to retire, with **Tom Vertin** set to move up from president of commercial banking to the top job next month.

It looks as though Buster will go out with a turnaround to his credit after nearly three years spent drawing investor capital, cleaning off sour assets, and exiting certain types of loan products.

“We had done very little until two and a half years ago to turn this bank around by recognizing the problematic nature of our portfolio and to get the capital and fix it,” Buster said. “The tailwinds that the rest of the [banking] industry has already enjoyed from the recovery period—ours came later.

Real Estate Heritage

Buster joined Pacific Mercantile in 2013 after retiring from **Mechanics Bank** in Walnut Creek. He succeeded **Raymond Dellerba**, who founded Pacific Mercantile in 1999 and headed its growth into the biggest Orange County-based bank by assets, a standing it held for years.

The growth, though, had been closely pegged to commercial real estate loans, Buster said.

“The [intent] was to grow very quickly, to become a significant player in Southern California as a community bank,” he said. “It was felt there was a good need for this. But the strategy was so general that about anything that looked like it had attractive yield, they would pursue and book. So it was not focused, and the dominant part of the activity was commercial real estate.”

That needed to change, as the heavy concentration on real estate left the bank vulnerable to the impacts of the recession and attendant residential and commercial real estate credit crunch.

The California Department of Financial Institutions—what’s now the California Department of Business Oversight—issued an order in 2010 requiring Pacific Mercantile to “adopt and implement formal plans ... to address the



Bosu, Kalscheur: Compushare founder, ACG chief executive among latest additions to bank's board

adverse consequences that the economic recession has had on the quality of [its] loan portfolio and ... operating results, and to increase our capital to strengthen our ability to weather any further adverse conditions,” according to a statement by the bank.

“Somehow we managed to maneuver ... through the Great Recession and managed to raise capital a couple of times to survive,” Buster said. “I don’t know how we survived.”

A key step came in 2011, when Pacific Mercantile raised about \$11 million from New York-based **SBAV LP** and **Carpenter Community BancFund**, the private equity arm of Irvine-based advisory firm **Carpenter & Co.**, which counts Irvine-based **Plaza Bank** as one of three community banks it controls in the state.

The Carpenter fund increased its stake in Pacific Mercantile the following year, and Carpenter & Co. founder **Ed Carpenter** became chairman of the bank.

Changes

Pacific Mercantile announced plans shortly thereafter to halt wholesale mortgage lending. A year later it announced plans to close its consumer mortgage division, exiting the residential mortgage market altogether. The closures, combined with a decision to discontinue its business of funding broker-originated SBA loans, meant the bank had to cut its employee base by about half—it now has about 160.

Changes in the bank’s lending approach have started to reshape its portfolio.

Recent filings indicate that commercial loans and owner-occupied commercial real estate loans—which the bank describes as “relation-

ship loans”—make up 63% of its loans, totaling \$828.6 million, versus 45% about two and a half years earlier. Other commercial real estate loans and residential mortgage loans combined to account for about 34% of total loans recently, down from 48%.

Assets as of Sept. 31 were \$1.1 billion, versus \$1 billion as of March 31, 2013.

The bank has been building specific niche areas along the way, including financing movies. Recent films the bank financed include “Damascus Cover” and “Norm of the North.”

“There’s probably about six banks that compete” in entertainment lending, Buster said, citing **City National Bank** as one. The Los Angeles-based bank—known as the “bank to the Hollywood stars”—was acquired this year by **Royal Bank of Canada** for about \$5.4 billion.

“What we wanted to address was the convergence of technology and entertainment,” said chief executive-in-waiting Vertin, who joined Pacific Mercantile in 2012 after an 18-year run at **Silicon Valley Bank**. “A lot of the facilities, a lot of the know-how in producing a film or TV is also used in producing games or virtual-reality scenarios. So we’re paying close attention to that convergence. We believe we can bring the entertainment expertise and network to bear on behalf of a tech company.”

Deposit Mix

Vertin said the bank also has been working on changing its deposit mix.

“When you’re a real estate lender, you don’t necessarily focus on deposit-gathering,” he said. “We had to change the attitude of the staff toward making sure that when you’re making relationships with companies, it includes deposits.”

Noninterest-bearing deposits made up about 28% of the total deposit base of about \$927.3 million as of Sept. 30. The percentage was 22% as of March 31, 2013.

Another change, Vertin said, was treasury management.

“Treasury management really is associated with the ways that companies collect their money, pay out their money, ways companies keep track and secure their money,” he said.

“When [I] first arrived, there was very little treasury management at Pacific Mercantile. We brought in an expert who worked with me formerly, who developed a full suite of treasury management products.”

Vertin and Buster are among the roster of top executives who joined Pacific Mercantile in recent years as the bank started to change gears.

Robert Sjogren arrived as general counsel in 2013 and was named chief operating officer last year. Previously he worked for more than seven years at **Carpenter & Co.**

Curt Christiansen joined the bank as interim chief financial officer in 2013 and became CFO early this year. He’s also CFO at **Carpenter & Co.**

Noma Bruton joined in 2013 as chief human resources officer, and **Robert Stevens** came as chief risk officer in 2014.

New Directors

Pacific Mercantile’s board of directors also got several new members.

Romir Bosu and **Denis Kalscheur** joined early this year. Bosu is a veteran in the financial technology industry, having founded and sold companies, including **Compushare**. Kalscheur is set to wrap up his duties as chief executive of Newport Beach-based **Aviation Capital Group** in January, moving to the vice chairman role at a commercial jet leasing company, a subsidiary of **Pacific Life Insurance Co.**

Industry veteran **David Munio** was named to the board last week to replace **Daniel Strauss**, who retired from the holding company and bank. Munio, rounding out the group of 10, brings more than 40 years of experience in the banking industry that includes senior executive positions at **First Interstate Bank** and **Wells Fargo & Co.**

Pacific Mercantile’s departing chief executive, meanwhile, will leave behind an ambitious benchmark.

“We believe we can support a rapid growth rate now,” Buster said. “Fortunately for us, we’re in one of the most vibrant economic communities in the U.S. Southern California looks really healthy compared to other places. We have no need to go anywhere else.” ■