

By Mike Allen

April 11, 2014

The Treasury Department released another report on its Small Business Lending Fund program showing that participating banks extended about 56,900 additional small business loans, representing about \$12.5 billion in dollars above what the banks lent before accepting the federal funds.

In California, the 17 banks in the Small Business Lending Fund program, or SBLF, reported making \$890 million above their aggregate baseline lending figure, the Treasury report said.

Among the beneficiaries of the SBLF was San Diego-based Seacoast Commerce Bank, which received \$4 million in 2011. The money helped Seacoast boost its lending from \$152 million in 2012 to about \$183 million last year, with most of the loans made through the Small Business Administration's 7(a) program, CEO Rick Sanborn said.

The idea behind the SBLF program was to provide more capital to community banks with less than \$10 billion in assets so they could extend credit to more small businesses.

The interest on the federal funding depends on how well the bank increases lending above the baseline amount, determined before it received the money. In Seacoast's case, it made \$60 million in loans above its baseline, or more than double what it did previously. The bank pays just 1 percent on the funding, the lowest charge on the funds, and a real bargain, Sanborn said.

"If we had to raise that money by issuing preferred stock, we would have had to pay 5 to 7 percent" in annual dividends, he said.

The SBLF funding has to be repaid sometime, and the rate will increase to 9 percent come 2016. Seacoast expects to repay its \$4 million before the deadline, Sanborn said.

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MachineTek increasing jobs after loan: Changes to the rules covering Small Business Administration lending outlined in last week's Finance column have already helped MachineTek, a Carlsbad-based maker of precision machined components.

The business, founded 21 years ago by Kevin Darroch, recently obtained an SBA 504 loan for \$2.4 million to buy its 21,000-square-foot building.

"Our customers are mainly the aerospace component shops that are making components for the likes of Boeing, Lockheed, Northrop Grumman and SpaceX," said Darroch, who is a veteran Air Force pilot. "The honeycomb materials that we're making here are used to make panels that could go into helicopter blades, wing panels or other parts."

Because of the changes, MachineTek was able to include some funds used to make earlier building improvements into the full loan. The lender on half of the 504 loan was Avana Capital of Arizona, while CDC Small Business Finance provided 40 percent and Darroch put down 10 percent.

Thanks to the loan, and the savings it's generating, Darroch said he'll be able to bring on more employees. He's already hired four workers to bring his total workforce to 15.

"We'll probably be at 25 by the end of this year," he said.

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PacWest deal closes: PacWest Bancorp, based in Los Angeles, completed the acquisition of CapitalSource and its main subsidiary, CapitalSource Bank, creating the fourth-largest bank in California with about \$15.4 billion in total assets.

The transaction, first announced in July, stirred some push-back from a coalition of nonprofit groups that claimed PacWest didn't do a good job in lending to small businesses and avoided lending in certain areas.

PacWest said in a statement the deal is a huge win for the stockholders and customers of both institutions, who will benefit from a broader array of products than either company could offer alone.

PacWest said it paid 56.7 million in stock for CapitalSource, at the April 7 price of \$45.83, or an aggregate of \$3.1 billion. That's quite a bit more than the estimated \$2.3 billion price for CapitalSource when the combination was first announced.

The impact on San Diego is negligible. PacWest's subsidiary, Pacific Western Bank, has 15 branches here; CapitalSource had only 21 branches, mainly in the Los Angeles area with some in the Central Valley; it had none in San Diego.

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Union Bank adds five to advisory board: Union Bank, with 59 branches in San Diego, named five new members to its community advisory board to help guide the bank in community reinvestment activities. Each will serve a three-year term. They are Joe Coto, Gabe del Rio, Shashi Hanuman, Pam Isom and Rob Wiener.

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Small Change: Tech Coast Angels will conduct a seminar on angel investing at 7:30 a.m. May 1 at the office of Mintz Levin. ... Opus Bank, based in Irvine and with five branches here, set the price on its stock offering at \$31 to \$34 on 5.7 million shares, meaning a range of \$177 million to \$194 million with the insiders who recapitalized the bank in 2010 taking about half the proceeds. ... California Bank & Trust said its new website offers mobile fraud text alerts for detecting possible fraudulent transactions, asking customers whether the transaction is legitimate.