

# Corporate Finance

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## Real Estate: The Next Level of Business “Ownership”

*Owner-occupied real estate can improve businesses’ forecasting, stability and ultimate value*

by David Malone, CEO & President, Community Bank

**T**he recent economy has been particularly hard on small and midsize business. Just keeping the doors open can be a challenge. If you are leasing your site or sitting tight on existing property that you own, the idea of purchasing commercial real estate may be the last thing you’re thinking about as you ride out the current cycle. Instead, real estate ownership should be at the top of your list of strategies under consideration.

A major advantage of real estate ownership is controlling your operating costs. With a fixed-rate loan, you have an exact figure for your site expenses for the duration of the loan. If you opt for an adjustable loan, you can forecast according to changes in the interest rate, allowing you make other uses of your funds when rates are low.

When you lease, you are subject to the dictates of landlords and the market with limited ability to lock in or adjust your monthly real estate expenses. If you have an equipment-intensive business like manufacturing, your capital investments are structured around your physical space. Having to leave that space due to changes in your lease or relationship with your landlord is a huge undertaking.

Economic uncertainty can create bargain prices on promising properties. A “buy low” opportunity may be reason enough to entertain commercial real estate ownership. Patience is required in this strategy. Nobody is predicting overnight recoveries for California business or California commercial real estate, but I am confident that there will be an upside for long-term property owners.

The value of your business depends on many factors: cash flow, goodwill, capital investment, unique patents and partnerships. Real estate can be part of that total worth as well. If you want to grow the value of your business as you look toward retirement, a sound commercial real estate investment can add to the appeal of your business and eventual selling price.

Pre-qualification is the right beginning to purchasing commercial real estate. We hear about this first step in buying residential properties, and it applies to business properties too. Before you go property hunting or make an offer, talk to your business banker to determine purchasing power and best financing scenarios. Your banker will look at your cash flow and forecasts



to determine the loan that makes sense. Guided by your banker’s expertise and a loan pre-qualification, you can then search for properties with confidence, knowing the square footage, location and other amenities within your reach. This preparation also allows you to seize those bargain opportunities which have a habit of selling fast.

Is real estate ownership the right course for your business?

Quite possibly. If you want to know the answer for sure, talk to your banker.

### David Malone

David brings over 30 years of finance and business experience to Community Bank. He has held senior management positions at both national and regional banks as well as for a major CPA Business Consulting firm. Specializing in strategic and technology-driven initiatives, he provided high-level consultative services to major clients across the western United States.

In 1998, David joined Community Bank as executive vice president and CFO and quickly rose to the Bank’s COO. He directed bank operations and guided customer relations and sales functions. In 2008 he was appointed CEO and president.

Today, David oversees Community Bank as a \$2.4 billion institution with branches in three counties. The Bank has remained profitable during the worst downturn in decades and has consistently received excellent to superior rankings from Bauer Financial, an independent rating agency.



### Community Bank

Community Bank, headquartered in Pasadena, is a proudly independent, full service commercial bank with \$2.5 billion in assets and dedicated to meeting the financial needs of small and middle market companies. For over sixty-five years, Community Bank has provided the communities of Southern California with the financial services they need. Our strong financial position earns your trust, while our commitment to customer service will gain your loyalty.

We’ve committed ourselves to giving each customer the kind of responsive, personal attention that really makes a difference. The Bank provides Partnership Banking® services through a high quality staff of professionals with fourteen local offices to serve you. For more information, visit the Community Bank website at [www.cbank.com](http://www.cbank.com).



## Race on Sunday, Service on Monday

For Costa Mesa CEO Rob Morgan, a life-long passion for racing and performance street cars evolved into a burgeoning business three years ago with the founding of TruSpeed Motorcars. The multifaceted business – with a professional racing, retail performance car sales, brokerage and car service divisions – has grown immensely in the last year, expanding to an immaculate new facility bordering John Wayne airport. For Morgan, a past NASCAR team owner and veteran sports car racer, the genesis of his business was simple.

“Since I was about ten years old, I’ve been around high-powered cars and racing, in one form or another. I’ve learned that no matter how much money your competition throws at its racing programs, the biggest possible difference maker on the track is the quality of the preparation and attention to detail the team puts into getting the cars ready to race. When we decided to make a go of TruSpeed Motorcars, we focused on three areas where we felt we had particular expertise:

racing preparation and logistics, street and racecar sales and brokerage, and service. We’re contending for the driver’s and team championships with our professional racing efforts this year, which is a testament to our team’s organization, preparation and skill, and we’ve found there’s a lot of transfer between how the team prepares and our street car service department.”

He continued, “Racing isn’t only about who’s got the biggest budget; racing is about who best applies their resources. We service some seriously high-dollar cars – Porsches, Mercedes and BMWs among them – with factory-certified technicians, but we do it at a price below what dealers will charge for the same service. Our customers appreciate the level of care with which we take



TruSpeed technicians have experience working on winning race cars as well as luxury street cars

care of their cars, and it’s an advantage to them that we’ve got technicians who are equally experienced working on winning race cars and luxury street cars.”

Running racing teams as it grows its service business, TruSpeed has also established itself as an expert in Porsche sales, particularly in sourcing well-loved and well-maintained air cooled versions of the legendary 911 line. For collectors of 911s, or just enthusiasts who enjoy owning different versions of the venerable 911, there’s no better place in Orange County to find a meticulously cared for example.

While racecars are largely constructed of replaceable, consumable parts – meant to be used hard and replaced often – there is a surprising amount of technology transfer between racing cars and performance street cars, a point that Morgan says breeds familiarity for TruSpeed’s master technicians.

“Our racing team is used to thrashing around, making adjustments to cars on the fly and improving or repairing cars on a very tight timeframe. They can only do that with years of training and expertise, and a similar level of expertise is required for our technicians to service street cars. Doing things methodically, solving problems one at a time and only doing so after months of training and apprenticeship. Just as our racing drivers trust our team to give them a safe, high-performing car that they risk their lives racing, so do our customers know that their high-performance cars are well looked after and properly maintained.”

For more information, please contact Tyler Tadevic at [Tyler@truspeedmotorcars.com](mailto:Tyler@truspeedmotorcars.com) or call 714.424.0251



Nominations accepted through Oct. 10, 2011

The CFO of the Year Awards are designed to honor financial professionals in Orange County for outstanding performance as corporate stewards. This prestigious awards program is presented in association with the California Society of Certified Public Accountants (CalCPA-Orange County/Long Beach Chapter) and is one of the year’s most eagerly awaited events. For more nomination or event registration information, contact Jayne Kennedy at (949) 833-8373 ext. 209, or email [kennedy@ocbj.com](mailto:kennedy@ocbj.com). Also visit [www.ocbj.com/bizevents](http://www.ocbj.com/bizevents) regularly for updates.

## CALL FOR NOMINATIONS

### AWARD CATEGORIES

Public Co. ■ Private Co. ■ Not-for-Profit Organization

Candidates also may be considered for  
Up & Coming ■ Lifetime Achievement

### Dinner & Program

6:30 p.m.-8:00 p.m., January 18, 2012

Hyatt Regency Irvine, 17900 Jamboree Road, Irvine, CA 92614

Tickets\*: \$150 Table for 10: \$1,350

includes parking ■ all seats reserved

tickets non-refundable 7 days prior to event

Ticket price\* includes a 1-year subscription to the Orange County Business Journal (\*\$27 allocated to the subscription). New subscribers only. Current subscribers may gift the subscription to a colleague. Does not include Book of Lists.

TICKET SALES FOR PREFERRED SEATING ENDS AT 4:00 P.M. (PACIFIC) JAN. 9, 2012. Day-of-event ticket sales is available Jan. 18, 2012, from 4 p.m. to 5 p.m. at Hyatt Regency Irvine (open seating only; limited number of seats available).

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# Navigating Uncertainty With the Three C's of Business Banking

by W. Henry Walker, CEO, Farmers & Merchants Bank

**T**he Orange County business climate is one of great complexity. Businesses small and large must navigate an uncertain financial and regulatory environment to employ strategies that mitigate risk and promote consistent growth. This means that business leaders must ask a lot of themselves, their employees and their bank.

Farmers & Merchants Bank believes that succeeding in this unpredictable environment is contingent upon three core components, deemed *The Three C's of Business Banking*.

### Capital

The ongoing strain on the markets has made valuable capital hard to find, even for qualified volatility and support growth. This requires partnering with not only a well-capitalized lender, but also one that understands the nuances of your business and can deliver financing solutions that align with your goals. A strong banking relationship goes a long way in fulfilling these important capital requirements.

### Communication

Your banker must be an individual, not an institution. Communicate with him regularly about your financial realities and work together to devise strategies that evaluate both the challenges and opportunities within your market. This conversation should analyze factors that are unique to your business and shape your overall objectives. The fast pace of business demands that your banker must always be within reach and offer the flexibility to respond to your needs in real time.



Walker

### Customization

While a strong case could be made for "conservatism" as the third C, customization cannot be overlooked. The flurry of regulation and M&A activity in the banking industry has created an environment where many businesses do not even remember the bank with which they began their relationship. This reality runs counter to the need for banks to offer custom financing solutions that align with your business's objectives and evaluate the industry trends, local issues and cultural factors that make your business unique.

Since its founding in 1907, Farmers & Merchants Bank has operated according to the



belief that banking is a relationship and not a transaction. Customers should have direct access to their banker as a trusted advisor who consistently takes their best interests to heart. The fast pace and high stakes of today's business climate require that banks act as an extension of their customers' business. *The Three C's of Business Banking* represents both a blueprint for success and a deeply held value system by which to operate in the ever-changing world of business.

### Farmers & Merchants Bank

Farmers & Merchants Bank has 22 branches in L.A. and Orange counties and is a California state chartered bank with deposits insured by the Federal Deposit Insurance Corporation (Member FDIC) and an Equal Housing Lender. *For more information about F&M, please visit the website [www.fmb.com](http://www.fmb.com).*



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# Association for Corporate Growth Provides Opportunity to Meet and Network With Orange County's Leading Deal Makers and Service Providers

by David Krajanowski, President, ACG OC

The Association for Corporate Growth Orange County Chapter (ACG OC) offers local professional service executives, business development professionals and financial service dealmakers an exceptional opportunity to generate fresh leads and establish new relationships. One of 56 chapters worldwide, the Association for Corporate Growth (<http://www.acgoc.org>) is a global organization involved in corporate growth, corporate development and mergers and acquisitions. ACG's 14,000 members include professionals from private equity firms, corporations and lenders that invest in middle-market companies, as well as from law, accounting, investment banking and other firms that provide advisory services.

Now boasting a membership roster exceeding 300 organizations, ACG Orange County is sponsored by some of the most respected firms in the county, including ADP; Beach Business Bank; Hein & Associates; Houlihan Lokey; McGladrey; Stradling Yocca Carlson & Rauth; Tatum, LLC and U.S. Bank. The all-star list also includes Aon Risk Services Inc; Avant Advisory Group; GlassRatner Advisory & Capital Group LLC; BNY Mellon; Daly-Swartz Public Relations; DLC Inc.; First Bank; Gibson Dunn & Crutcher; Grant Thornton LLP; McGladrey Capital Markets, LLC; PNC Business Credit; Robert Half International; Total HR Management; Union Bank; Windes & McClaughry Accountancy Corporation. Other sponsors include Meridian Graphics; Comerica Bank; SingerLewak and Snell & Wilmer.

## Annual Season Opener

ACGOC hosts a remarkable number of signature events during the course of a year. For example, the annual season opener on September 8th provides members and their guests with an opportunity to network with Orange County's outstanding community of professionals. Commencing with open networking with great food and cocktails in an open air courtyard, the event then resumes indoors where attendees will be introduced to at least 20 professionals at tables hosted by ACG OC board members and committee chairs in two roundtable rotations. The evening also features a website presentation to help educate and maximize member benefits.

## Southern California Capital Expo

The Southern California Capital Expo to be held on November 10th will present by far the most comprehensive empirical data on the private capital markets. A must for CFOs and business own-

ers financing the growth of their businesses, the Pepperdine Private Capital Market Project surveys 12 capital market segments to understand the latest trends, best practices and changing behaviors of capital providers including asset-based lenders, senior lenders, mezzanine funds, angel funds, venture capital funds, private equity groups, hedge funds, factoring company principals as well as business transactions attorneys and business owners. The semi-annual PPCMP survey presents detailed trends and analysis of term sheets, valuations and expected ROI on those sources of capital.

Dr. John Paglia, Ph.D. MBA, CPA, CFA, of the Graziadio School of Business and Management at Pepperdine University, will make the announcement of the fall PPCMP survey results. A panel of capital market experts will be on hand to comment on the survey findings, including Fred Helms, regional managing director of commercial banking at U.S. Bank; Bob Poletti, principal of Levine Leichtman; Mike Kane with Caltius Capital Management; and Lloyd Miller, regional private equity practice leader with McGladrey and moderator of the event.

## Tenth Annual Private Equity Night

In January 2012, ACG OC will host its Tenth Annual Private Equity Night to showcase deal flow and feature wine tasting for professional services firms. Private Equity Night is ACG OC's signature annual event, consistently drawing more than 500 attendees from the mergers and acquisitions community, including private equity firms, investment bankers, attorneys, accountants, lenders, business owners, chief financial officers, chief executive officers and commercial bankers, as well as the "who's who" of the M&A market in Southern California.

If anyone wants to know what's happening in the market or find deal flow, this is the place to be. It is considered the must-attend event of the year, providing unparalleled access to Orange County's sources of capital, stimulating deal-making conversations and introduction to private equity groups across the country.

Last year, for example, more than 30 equity and capital firms from across the country participated in the event, including Audax Group; BDO Seidman; Bison Capital; Brockway Moran & Partners, Inc.; Bunker Hill Capital; Century Park Capital Partners; Compass Equity Management LLC; Cornerstone Capital Holdings; Creso Capital/C3 Capital, LLC; Evergreen Pacific Partners; Gen Cap America; Grey Mountain Partners; Hammond Kennedy Whitney & Co., Inc.; Housatonic Partners; Huntsman Gay Global Capital; Key Principal Partners, Corp.; KL Gates; Marwit Capital; Merit Capital; Parallax Capital Partners, LLC; Parallel Investment Partners; Paul Hastings; PNC Business Credit; Renovo Capital, LLC; Riordan Lewis & Hayden; Riverside Partners; Stradling Yocca Carlson & Rauth; The Edgewater Funds; TriVista Business Group, Inc.; TSG Consumer Partners; Vance Street Capital; Versa Capital Management; VMG Partners; Windjammer Capital Investors; and Wingate Partners.

## Nationally Known Speakers

To keep its members apprised of current economic conditions and place those conditions in the proper context, ACG OC will periodically invite nationally known authorities from across the country to speak at noteworthy forums. Last year, for example, ACG OC invited Chris Sheldon, director of investment strategy at BNY Mellon Wealth Management, to discuss the long-term implications of recent federal policy measures on capital markets, global growth and inflation.

## Annual Awards Night

For the past 16 years, the ACG OC chapter has honored local companies at its annual awards event. The chapter sends out a call for nominations to its data base of over 700 professionals looking for inspiring companies that are thriving. After evaluating and interviewing dozens of companies, the organization selects between 12 and 20 finalists. Executives from each of the nominated companies attend the event and winners are announced in seven categories.

ACG OC is now focused on expanding its programs and commitment to corporate members, while providing an exclusive networking environment where they can exchange ideas with other local corporate executives.

## Membership

Benefits of joining ACG include exclusive resources, members-only access to influential industry movers and shakers, professional development programs and world-class events. Annual dues are \$475.00. Interested parties can sign up online at <https://www.acg.org/global/membershipapplications.aspx>.

## David Krajanowski

David Krajanowski is the managing partner of SingerLewak LLP. As a seasoned financial professional with a proven track record, David has more than 30 years of experience in accounting. The scope of his expertise ranges from directing assurance services and advising clients on mergers and acquisitions, financing, strategic planning and other management issues. David has authored articles for publications such as the *Orange County Register*, the *Los Angeles Business Journal* and others.

David is a dedicated community leader and is a member of numerous organizations, including, Association for Corporate Growth (Orange County Chapter - President 2011) and South Coast Repertory Theatre. David is also actively involved in IGAF Polaris, an association of independent accounting firms. He is a member of the American Institute of Certified Public Accountants, California Society of CPAs and Beta Alpha Psi. David graduated magna cum laude from California State University, Northridge in 1977 with a bachelor of science degree in business administration.



# ACG Orange County

"Community Bank came to our company's rescue."

— James P. Hughes, President of Hughes Bros. Aircrafters



Lyonel Alexandre  
FVP Business Center Manager  
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James P. Hughes  
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