



# Prime Interest

Bank of Agriculture & Commerce | ECC Bank

A Unique Community Banking Experience

December 2010

## Message from the CEO

# Bank Reform and What Can Be Expected in the Future



William R. Trezza

The past four years has seen one of the worst economic downturns the U.S. has experienced. The sub-prime mortgage scandal and related financial meltdown was the impetus for this disaster. It came at a time when too many Americans were financing their lifestyles with a broad array of debt. Since the onset of this crash, financial regulators have been admonishing the financial services industry for contributing to that environment. Congress recently passed the most comprehensive regulatory reform act in decades and it has very broad implications. It is known as the Dodd Frank Wall Street Reform & Consumer Protection Act.

The Act has 16 Titles covering many topics including regulatory authority, prohibitions and restrictions on financial services providers, consumer protection, and a mixed bag of others. While many of the Titles address investment activities (Wall Street), there are several which impact community banks (Main Street). In all, this legislation will promulgate 240 new regulations and mandate 67

studies. This article will discuss those having a direct impact on community banks; the impact areas are: deposit insurance, consumer protection, and debit card interchange fees.

We are in the midst of a wave of bank failures, and Washington's goal is to allay depositor concern and maintain stability in the industry. The bill converted the temporary \$250,000 deposit insurance limit to permanent status. It also extended the unlimited checking insurance program (TAGP) to January 2013; this feature excludes any accounts which pay interest. The legislation changed the deposit insurance formula whereby insurance premiums are based on risk asset pools and not customer deposits. This in essence shifted a significant premium expense from community banks to those banks with assets exceeding \$10 billion. Lastly, the restriction on banks paying interest on business checking accounts will expire in July 2011.

Title X establishes the Bureau of Consumer Protection (BCP). It is structured in an unusual manner in that the head of this bureau is an appointee of the President. It is an independent entity; however, it is funded by the Federal Reserve and housed under its roof. This entity will be responsible for promulgating all consumer protection regulations relating to financial services. Its examination force will directly regulate all financial service companies with assets exceeding \$10 billion. Smaller banks will have to

comply with BCP regulations; however, these institutions will be subject to examination by their current federal regulator. The BCP will acquire its staff from federal banking agencies and other consumer protection agencies such as the FTC, Consumer Product Safety Commission and Commodities Futures Trading Commission. The statute requires the staffing mandate to be fulfilled by July 2011, subject to extension.

The Act requires the Federal Reserve to establish rules for interchange transactions. In essence, the Fed will review current practices and develop a pricing model designed to ensure that fees charged to merchants for card transactions are "reasonable and proportional" to actual costs incurred in the transaction. This feature targets pricing mechanisms of Visa®, MasterCard® and other large processing networks. The intent of the bill is to provide financial benefit to small business operators and consumers. However, it will impact community banks which are dependent on their share of interchange revenue to offset the costs associated with issuing and maintaining debit and credit cards to customers.

There are many more features to Dodd Frank which will cause ripples through banking and other industries. The burden will be substantial and the unforeseen consequences will be many.

# Relationships and Longevity Drive California Payroll

In 2001, Henry Lonsdale and Debbie Mendivil opened the doors to California Payroll, a leading payroll processing company in Brentwood. Their goal: to apply their personal values to a business environment and achieve success. Today, they are in their 10<sup>th</sup> year of business with 20 employees, 0% operational turnover and very low client turnover. They believe in providing a positive, friendly, family environment for their employees who in return will be happy and provide excellent service to their clients. According to owner, Henry Lonsdale, “happy employees equal better business.” In addition to payroll processing, tax reporting, and Worker’s Compensation reporting, California Payroll also provides human resources software, *Time and Attendance*. This is their fastest growing product, providing easy planning and tracking of sick time, vacation requests, employee scheduling, time clock tracking, and

much more. They are a platinum sponsor of the Northern California HR Association.



*ECC Bank’s Commercial Banking Officer, Alan Moore, California Payroll owners Debbie Mendivil and Henry Lonsdale.*

California Payroll continues to steadily grow and now services Central California, parts of Southern California, and clients extending out to 45 other states. With their steady growth and strong moral values, Henry “wanted to come back to a bank with whom he could have a long-term relationship. A bank that was conservative and not over

extended; one that would be around tomorrow.” He looked for a bank that “is active in the community and has a friendly, accommodating staff.” Henry decided on ECC Bank.

ECC Bank provides California Payroll with Business Checking accounts, Internet Banking, and Cash Management services. Henry is impressed with the enthusiasm and support offered by the Bank’s employees. He commended ECC Bank’s Commercial Banking Officer, Alan Moore and ECC Bank’s Brentwood Branch Manager, Rita Murdock for their “excellent service.” Henry believes that his business banking relationship with ECC Bank will be long lasting as the two organizations function by very similar standards. “Both are strongly tied to the community, both value their clients/customers (they are not just another number), and both have a good balance between growth, technology, and services offered to their clients/customers.”

## Bank Giving Back to Elderly and Children in the Community

### Senior Crimestoppers

ECC Bank representatives launched a Crimestoppers program with a charter presentation to Lone Tree Convalescent Hospital in Antioch, CA.

The Senior Crimestoppers program helps prevent/reduce crimes in long-term care facilities and senior housing communities. Since 1995 there has been a 93% reduction in crimes against seniors.



*Linda Specht, Investment Advisor Representative, Commercial Banking Officer; Alan Moore, Antioch Bank Branch Manager; Christine Lilly, Lone Tree Administrator; Phylene Sunga, BAC’s EVP Business Development; Steve Stevenson, and Senior Housing Crime Prevention Consultant, Carol Van Horst.*



Volunteers from Bank of Agriculture & Commerce and ECC Bank have teamed up with Junior Achievement to give back to the local communities. Volunteers are teaching Kindergartners personal economic concepts through storybook characters presented by the volunteer in read-aloud and hands-on activities. Students learn concepts such as what it means to save and earn, how to recognize the value of coins, and the importance of education in their future.

Each Kindergarten class is in a low to moderate income school allowing children the opportunity to participate in activities they may not otherwise have been able to. The program lasts 5 weeks and has been well-received with the volunteers. Students, teachers, and volunteers alike have enjoyed the experience.

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**EXECUTIVE, ADMINISTRATION  
OFFICES & LOAN DEPARTMENT**

BAC PLAZA  
 2021 W. March Lane  
 Stockton, CA 95207  
 (209) 473-6800

**CUSTOMER SERVICE**

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 Stockton, CA 95202  
 (877) 226-5820  
 customer.service@bankbac.com

**WEBSITES**

www.bankbac.com | www.bankecc.com

**BRANCHES****BAC**

<b>Stockton</b> 2001 W. March Ln. Stockton, CA 95207 (209) 473-6832	<b>Stockton Cal-Weber</b> 517 E. Weber Ave Stockton, CA 95202 (209) 944-1807
<b>Lodi</b> 1610 W. Kettleman Ln. Lodi, CA 95242 (209) 367-9400	<b>Modesto</b> 2605 Coffee Rd. Modesto, CA 95355 (209) 544-2227

**ECC BANK**

<b>Antioch</b> 1411 A St. Antioch, CA 94509 (925) 776-2200	<b>Concord</b> 1935 Diamond Blvd. Concord, CA 94520 (925) 609-1970
<b>Brentwood</b> 740 First St. Brentwood, CA 94513 (925) 634-2111	<b>Discovery Bay</b> 14804-A Hwy. 4 Discovery Bay, CA 94514 (925) 634-0112
<b>Brentwood Country Club</b> 2251 Balfour Road Brentwood, CA 94513 (925) 308-7011	<b>Oakley</b> 1070 Laurel Rd. Oakley, CA 94561 (925) 625-4990

# Preparing Your Estate for Change



Linda Specht\*

you die they will have to sell the ranch to pay the estate taxes.? You probably think I'm exaggerating but prior to Bush's 2001 "Tax Relief Reconciliation Act" I often heard of locals having to sell the family farm or ranch when their parents died in order to pay the estate taxes.

I'm sure you are aware that on December 31 of this year the Economic Growth and Tax Relief Reconciliation Act of 2001<sup>1</sup> is scheduled to expire; thus reducing the unified credit exemption on estates from \$3.5 million to \$1,000,000 and increasing the top marginal death taxes from 45% to 60%. Although, in order to help with the need for economic recovery, Congress and the powers that be may delay the expiration date for a year, but it will only be a temporary reprieve.

The effect of the estate tax increase is staggering and I am convinced that the majority of Americans, who should be concerned about this issue, are not aware of the impact that this change could have on their estates. Think about it. In California your home alone may be worth more than the exemption. Add the value of your business, if you own one, your retirement portfolio, bank accounts, life insurance, plus any other real property (like some of our prime farmland) and your estate tax bill could be a real honey, starting at 41% of everything you own over \$1,000,000 and as much as 60% starting at \$10,000,000. Yikes!

So what do you do? Start a savings account to pay your estate taxes? Or are you prepared to tell your children that when

you die they will have to sell the ranch to pay the estate taxes.? You probably think I'm exaggerating but prior to Bush's 2001 "Tax Relief Reconciliation Act" I often heard of locals having to sell the family farm or ranch when their parents died in order to pay the estate taxes.

It is my experience that most parents want their estates to remain in their bloodline. Have you given any thought to how your family will deal with the taxes on your estate in the event of your death? If you are concerned that estate taxes may force the sale of property that you want your family to enjoy after you are gone, I suggest that you and I discuss the estate planning techniques that are out there.

There are essentially four approaches and they can be used alone or in combination with each other. The first is gifting. Certain amounts may be given away during your lifetime which reduce or remove the growth of those amounts from your estate. The second is discounting. This strategy involves placing assets in a Family Partnership or LLC and then gifting shares to the next generation. Because those shares aren't readily marketable and the children have no voting or control, the IRS allows a discount to the value of 20-40%. The third is freezing the growth. There are a number of ways to do this but suffice it to say, if you can move the growth of your estate down to the next generation, that goes a long ways toward making the estate tax bite more manageable. Fourth, if you are charitably inclined, you can reduce or eliminate the estate tax. You also realize significant income tax benefits

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Linda Specht, Investment Advisor Representative\*  
 Financial Network Investment Corporation  
 2001 W. March Lane, Stockton, CA 95207

\*A Registered Representative of Financial Network Investment Corporation

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and those tax savings can be used to purchase a life insurance policy to replace the money left to charity and it goes to your heir's income and estate tax free. All of these techniques help to remove the growth and/or reduce the size of your estate.

With the balance of your estate that isn't planned away, a common technique is to set up a trust to hold a life insurance policy outside of your estate. This is a highly efficient way to pay taxes for pennies on the dollar. Want to find out more? Contact me at (209) 444-3354.

I would like to thank Joe Larkin, ChFC, Vice President of AdvisorNet Financial for his advice and contributions toward this article.

## Gift Card Protection



New Federal Reserve rules provide important protections when you purchase or use gift cards sold on or after August 22, 2010. The rules cover store gift cards and gift cards with the MasterCard®, Visa®, American Express®, or Discover® brand logo.

These new protections put limits on expiration dates, allow for replacement cards, make it mandatory that all fees are clearly disclosed, and put limits on fees that can be charged. Be sure you know your rights when purchasing or using a gift card. For more information regarding these new protections, visit [www.bankbac.com](http://www.bankbac.com) or [www.bankecc.com](http://www.bankecc.com) or pick up a brochure in your local Bank of Agriculture & Commerce or ECC Bank branch.

<sup>1</sup>PUBLIC LAW 107-16-JUNE 7, 2001[H.R. 1836] 107th Congress

### Exceptional Service | Exceptional Bank | Exceptionally Safe

#### FINANCIAL PERFORMANCE

##### STATEMENT OF CONDITION as of September 30, 2010

###### ASSETS:

Cash & Due From Banks	\$	12,538,000
Securities		60,276,000

Gross Loans	358,256,000
Less Allowance for Loan Loss	(4,377,000)
Less Deferred Loan Fees	(299,000)
<b>Net Loans</b>	<b>353,580,000</b>

Premises & Equipment	12,055,000
Real Estate Owned	608,000
Other Assets	35,262,000

<b>TOTAL ASSETS</b>	<b>474,319,000</b>
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###### LIABILITIES:

Demand Deposits	\$	115,157,000
Interest Bearing Deposits		294,227,000
<b>Total Deposits</b>		<b>409,384,000</b>

Borrowings	15,609,000
Other Liabilities	2,827,000

<b>TOTAL LIABILITIES</b>	<b>427,820,000</b>
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###### SHAREHOLDERS' EQUITY:

Common Stock	6,300,000
Retained Earnings	40,199,000

<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>46,499,000</b>
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<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>474,319,000</b>
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##### STATEMENT OF INCOME

##### For the Nine Months Ended September 30, 2010

Interest Income	\$	17,707,000
Interest Expense		2,012,000
<b>Net Interest Income</b>		<b>15,695,000</b>

Fees & Services Charges	1,584,000
Other Income	149,000
<b>Total Other Income</b>	<b>1,733,000</b>

Overhead Expense	\$	11,747,000
Provision for Loan Loss		1,217,000
Other Expense		236,000

Gain / (Loss) on Sale of Assets	24,000
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<b>INCOME BEFORE TAXES</b>	<b>4,252,000</b>
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Income Taxes	1,385,000
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<b>NET INCOME</b>	<b>2,867,000</b>
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# Entrepreneur Chooses Community Banking Relationship

David Deutscher, owner of David Deutscher Co., has been an entrepreneur since early childhood. Starting his first business at eleven years old, gopher catching, and then buying his first home at the age of fifteen, Mr. Deutscher has become a prominent commercial real estate broker in the Greater Bay Area.

Beginning in the 1970's, after touring much of the world, David decided to put his focus in the brokerage business. Initially working as an employee with his father in both the residential development and commercial real estate realms, David acquired the skills to base his future and quickly learned that his heart

was in the commercial sector. Being keen to industrial trends and economic fluctuations, David has not only set precedence locally with industrial condominiums, he has also been able to ride through difficult economic times. He attributes much of his success to a great work ethic. His motto is "the goose is more important than the eggs." If the "goose" is healthy it will produce consistent "golden eggs." His philosophy of good management is to create value. Doing things right the first time and spending money on property while it is occupied, allows him to "protect his goose" and today  
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*Commercial Loan Officer, Bill McKinley, Owner, David Deutscher, and ECC Bank's Commercial Banking Officer, Tania Brugger.*

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# Bank's Financial Stability Ranks of High Importance

Pharmacy Care Concepts, owned by husband and wife Stephen and Gloria Stange, opened its doors thirteen years

ago. This family owned and operated pharmaceutical company is a closed door (distribution only) pharmacy specializing in servicing residential and assisted care facilities. In addition to their custom packaged prescription drug distribution, Pharmacy Care Concepts also offers onsite or on-location classroom training. The business sees consistent growth every year and because of that, Stephen and Gloria were able to support their children in starting a "fledgling" business of their own; Metate Hill

Winery in Murphys, California. Pharmacy Care Concepts places high value on employee and community relationships. Nearly all of the employees that began with the company thirteen years ago are still loyally working for the company today. The Stange family is also a prominent supporter and supplier for Hospice of San Joaquin. It is this relationship that introduced their company to Bank of Agriculture & Commerce (BAC). Stephen and Gloria find it important to conduct business with others who are "aligned with similar community service organizations."

The Stange's knew of BAC's outstanding reputation within the community and its "stability in the banking business" thus prompting them this past year to switch from a large bank to a local community bank. Gloria "likes the feeling of BAC because they know who you are." Eddie Lira, BAC's Commercial Banking Officer, "has been a huge help in the transition" from their prior bank and also in helping them get started with their new winery business. They are currently using BAC's Cash Management and Remote Deposit Services. They also have retirement accounts for employees and do their own personal banking with BAC. When speaking of BAC, the Stange's say they are "treated like a neighbor, like family. The Bank is personable and friendly."



*BAC's Commercial Banking Officer, Eddie Lira, Owners Gloria and Stephen Stange, and Commercial Loan Officer, Denys Soto.*

*(David Deutscher continued)*

he is still running a very successful commercial real estate brokerage firm with nearly 100% of his 450k square feet of office and industrial space occupied.

With David's strong work ethic, he needs a financial institution with similar values. After meeting with Ron Berberian, owner of ECC Bank, William Trezza, President, and Tania Brugger, Commercial Banking Officer, he was confident that ECC Bank was a perfect fit for him. His banking experience is nothing less than positive. Working with Tania is "outstanding" and he says he "has never had better service." In using ECC Bank's Cash Management Service, David found "ACH processing to be really smooth" and "the website far easier to function than that of his former bank." He is "amazed that ECC Bank customizes reports" and found that benefit to be "impressive." At ECC Bank, David Deutscher found that his "banking relationship with a community bank has given him the attention and respect needed" to manage his finances and maintain a successful business.

## SAVE THE DATE

### 2011 Economic Forecast

Featuring Economist John Mitchell, Ph.D.

Wednesday, February 9, 2011  
Modesto - DoubleTree 11:45 a.m.

Thursday, February 10, 2011  
Stockton - Hilton 7:30 a.m.

Thursday, February 10, 2011  
Brentwood - Wedgewood Restaurant 12 p.m.

## New ECC Bank Branch Locations



ECC Bank, Oakley is  
now located at:  
1070 Laurel Road  
*Located in Laurel Plaza  
Shopping Center*

ECC Bank, Concord is  
now located at:  
1935 Diamond Blvd



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