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Lender files papers to start up bank based in Winter Park

By **RICHARD BURNETT**
SENTINEL STAFF WRITER

In a novel multimillion-dollar deal, small-business lender Mercantile Commercial Capital is morphing into a new startup community bank, company executives said Thursday.

Mercantile Commercial's senior management team -- which includes several veteran local bankers -- has filed a petition with federal regulators to establish Emergent National Bank, which will be based in Winter Park, organizers said.

They plan to raise \$37 million in startup capital to launch Emergent, which will then acquire Altamonte Springs-based Mercantile Commercial for \$9 million in stock and \$2 million in cash, said Geoff Longstaff, Mercantile's chairman and future chairman of Emergent National. Officials hope to get the charter approval and open by year's end.

Longstaff said the move is designed to help fuel Mercantile Commercial's fast-growing business, which focuses on SBA-backed loans to small businesses that are expanding or acquiring their own facilities. Mercantile is a national player in the SBA's 504 loans, which bank regulators consider lower risk and high credit quality.

"That's one of the things we feel gives us a leg up on the typical startup," Longstaff said. "We will start out with a

loan portfolio of almost \$20 million that will already be producing revenues."

Emergent is the latest in a string of new Central Florida banks launched amid turbulence in the financial sector. It is the fourth bank to organize since last November, including New Traditions National Bank in Orlando, Reunion Bank in Tavares and MidFlorida Bank in Maitland.

Despite stress of the financial crisis, industry experts say startup entrepreneurs see opportunity, and wealthy investors see safety in the formation of de novo banks (Latin for "from the beginning"). New banks begin with a "clean slate," i.e., without certain suspect loans that may have been affected by the housing slump, experts say.

Also, experienced bankers such as those involved in the Emergent-Mercantile Commercial deal have a good shot at capturing market share, said Randy O. Burden, a veteran banking entrepreneur and consulting executive for M&I Bank in Central Florida.

"They're basically taking a commercial finance company and turning it into a bank. It's an approach I've heard of before but not around here," he said. "It does make sense, though. They'll immediately have a book of business and that should help them come out of the box right away in good shape."

Mercantile Commercial's loan volume and revenues have grown at a double-digit pace in recent years,

and the demand for small-business financing remains strong, according to Longstaff. But in the nation's current credit crunch, meeting that demand has become a major challenge.

"Funding sources for the loans have been increasingly difficult to find," Longstaff said. "We knew we either had to go to Wall Street to raise money or form a community bank to create funding for the loan growth."

Company officials chose the familiar option of banking over the uncertainty of Wall Street, he said.

Longstaff is a longtime Central Florida banker and former executive with Regions Bank and First National Bank of Central Florida, among others. Developer Shannon Marks, a well-known local banker in the past, will be president of Emergent. Christopher Hurn, Mercantile Commercial's CEO, will be executive vice president of the new bank.

Organizers are recruiting other local community bankers to join the new team.

"This bank will acquire an operating business with a very successful five-year track record," said Jack Greeley, an Orlando banking lawyer who represents the organizers. "This type of small-business lending is very consistent with what community banks historically provide to their markets."

Richard Burnett can be reached at rburnett@orlandosentinel.com or 407-420-5256.