

PACIFIC MERCANTILE BANCORP

Form DEF 14A

April 15, 2015

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

PACIFIC MERCANTILE BANCORP

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PACIFIC MERCANTILE BANCORP

April 15, 2015

Dear Fellow Shareholder:

The Board of Directors and I would like to extend a cordial invitation to you to attend the Annual Meeting of Shareholders of Pacific Mercantile Bancorp (the "Company"). The Annual Meeting will be held on Wednesday, May 20, 2015, at 2:00 P.M., Pacific Time, at the Westin South Coast Plaza, 686 Anton Boulevard, Costa Mesa, California 92626.

The attached Notice of Annual Meeting and Proxy Statement describe the matters to be acted on at the Annual Meeting. We also will discuss the operations of the Company and Pacific Mercantile Bank, our wholly-owned subsidiary. Your participation in Company activities is important, and we hope you will attend.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You will be able to vote your shares over the Internet, by telephone or by completing a proxy card and returning it by mail. Please review the instructions with respect to your voting options described in the accompanying Proxy Statement.

Thank you for your ongoing support. We look forward to seeing you at our Annual Meeting.

Whether or not you plan to attend the Annual Meeting, please be sure to vote over the Internet or by telephone or by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-prepaid reply envelope, so that your shares may be voted in accordance with your instructions. Voting by any of these methods will not prevent you from voting in person if you choose to attend the Annual Meeting.

Sincerely,

Edward J. Carpenter

Chairman

949 South Coast Drive, Third Floor, Costa Mesa, California 92626 (714) 438-2500

PACIFIC MERCANTILE BANCORP
949 South Coast Drive, Third Floor
Costa Mesa, California 92626

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 20, 2015

NOTICE TO THE SHAREHOLDERS OF PACIFIC MERCANTILE BANCORP:

The 2015 Annual Meeting of Shareholders of Pacific Mercantile Bancorp (the “Company” or “our”) will be held at the Westin South Coast Plaza, 686 Anton Boulevard, Costa Mesa, California 92626 on Wednesday, May 20, 2015, at 2:00 P.M., Pacific Time, for the following purposes:

1. Election of Directors. To elect each of the following eleven nominees to serve as the Company’s directors until the 2016 Annual Meeting of Shareholders and until their successors are elected and qualified:

Romir Bosu	John D. Flemming	Daniel A. Strauss
Steven K. Buster	Howard N. Gould	John Thomas, M.D.
Edward J. Carpenter	Michael P. Hoopis	Stephen P. Yost
Warren T. Finley	Denis Kalscheur	

2. Ratification of the Appointment of Independent Registered Public Accountants. To ratify the appointment of McGladrey LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

3. Advisory Vote on the Compensation of Our Named Executive Officers. To approve, by a non-binding advisory vote, the compensation of our named executive officers.

4. Other Business: To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Our Board of Directors recommends that you vote “FOR ALL” eleven director nominees named above for election to our Board of Directors; “FOR” ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015; and “FOR” approval, on a non-binding advisory basis, of the compensation of our named executive officers.

Only shareholders of record at the close of business on April 1, 2015 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 20, 2015.

This Proxy Statement and the Company's 2014 Annual Report are available online at <http://www.edocumentview.com/PMBC>

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING, REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. Even if you plan to attend the Annual Meeting in person, please submit voting instructions for your shares promptly using the directions on your proxy card to vote by one of the following methods:

- By telephone, by calling the toll-free telephone number printed on your proxy card;
- On the Internet, by accessing the website address printed on your proxy card; or
- By completing, signing and returning the enclosed proxy card in the enclosed postage-prepaid return envelope.

Voting by any of these methods will not prevent you from attending the Annual Meeting and voting in person.

By order of the Board of Directors

April 15, 2015

Edward J. Carpenter
Chairman of the Board

PACIFIC MERCANTILE BANCORP
949 South Coast Drive, Third Floor
Costa Mesa, California 92626

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held at 2:00 P.M., Pacific Time, Wednesday, May 20, 2015

INTRODUCTION

This Proxy Statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of Pacific Mercantile Bancorp, a California corporation (the “Company”), for use at the 2015 Annual Meeting of Shareholders, which will be held on Wednesday, May 20, 2015, at 2:00 P.M., Pacific Time, at the Westin South Coast Plaza, 686 Anton Boulevard, Costa Mesa, California 92626, and at any adjournments or postponements thereof. This Proxy Statement and the accompanying proxy card are first being mailed to shareholders on or about April 15, 2015. As a matter of convenience, in this Proxy Statement we will refer to Pacific Mercantile Bancorp as the “Company” or “we,” “us” or “our” and our 2015 Annual Meeting of Shareholders as the “Annual Meeting” or the “Meeting”.

The proxy materials for the Annual Meeting, including this Proxy Statement and our Annual Report to Shareholders for the year ended December 31, 2014, will also be available to our shareholders on the internet at <http://www.edocumentview.com/PMBC>, beginning on or about April 15, 2015.

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, WE ENCOURAGE YOU TO READ THIS PROXY STATEMENT AND PROVIDE US WITH YOUR PROXY OR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.

Some shareholders may have their shares registered in different names or hold shares in different capacities. For example, a shareholder may have some shares registered in his or her name, individually, and others in his or her capacity as a custodian for minor children or as a trustee of a trust. If, in that event, you want all of your votes to be counted, please be sure to vote in each of those capacities.

Who May Vote?

If you were a holder of shares of common stock, or of any shares of our Series B Convertible 8.4% Noncumulative Preferred Stock (“Series B Preferred Stock” or “Series B Shares”) on the records of the Company at the close of business on April 1, 2015 (the “Record Date”), you are entitled to notice of and may vote at the Annual Meeting.

How Many Votes Do I Have?

Each share of common stock outstanding at the close of business on the Record Date is entitled to one vote on each of the matters to be voted upon at the Annual Meeting. Each share of our Series B Preferred Stock outstanding at the close of business on the Record Date is entitled to a number of votes on each of the matters to be voted upon at the Annual Meeting equal to the number of shares of common stock into which such Series B Share is convertible as of such date. On the record date, a total of 21,862,074 shares of stock were entitled to be voted, comprised of (i) 19,756,812 shares of our common stock that were outstanding on that date, and (ii) 2,105,262 shares of common stock into which the 112,000 shares of our Series B Preferred Stock outstanding on the Record Date are convertible, voting together as a single class.

Notwithstanding the foregoing, if any shareholder in attendance at the Annual Meeting gives notice at the Annual Meeting, prior to the voting, of an intention to cumulate votes in the election of directors, then all shareholders will be entitled to cumulate votes in that election. In an election of directors held by cumulative voting, each shareholder is entitled to cast a number of votes that is equal to the number of directors to be elected (which at this Annual Meeting will be eleven), multiplied by the number of shares that the shareholder is entitled to vote at the Annual Meeting. The shareholder may cast all of those votes for a single nominee or to distribute them among any number or all of the nominees in such proportions as the shareholder may choose.

How Do I Vote?

Voting in Person. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., at the close of business on the Record Date, you are considered the shareholder of record with respect to those shares and

you have the right to vote your shares in person at the Annual Meeting. If your shares are held through a broker, bank or other nominee (that is, in “street name”) at the close of business on the Record Date, you are considered the “beneficial owner” of those shares and you may vote your shares in person at the Annual Meeting only if you obtain a “legal proxy” from the bank, broker or other nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting. Directions to the Annual Meeting may be found at <http://pmbank.com/InvestorRelations/Events>.

Voting by Proxy for Shares Held by a Shareholder of Record. If you are a shareholder of record, you may direct how your shares are voted without attending the Annual Meeting in one of the following ways:

Voting by Telephone. You may vote by calling the toll-free telephone number and following the instructions printed on your proxy card. The deadline for voting by telephone is May 20, 2015, at 1:00 A.M., Pacific Time. If you vote by telephone, you do not need to return your proxy card.

Voting on the Internet. You may vote on the Internet by accessing the website address and following the instructions printed on your proxy card. The deadline for voting on the Internet is May 20, 2015, at 1:00 A.M., Pacific Time. If you vote on the Internet, you do not need to return your proxy card.

Voting by Mail. You may vote by completing, signing and returning your proxy card by mail. To vote in this manner, please mark, date and sign the enclosed proxy card and return it by mail in the accompanying postage-prepaid envelope. In order to assure that your shares will be voted, you should mail your signed proxy card in sufficient time for it to be received by May 19, 2015. If your shares are registered in different names or you hold your shares in more than one capacity, you will receive more than one proxy card. In that case, if you choose to vote by mail and you want all of your shares voted, please complete each proxy card that you receive and return it in its own postage prepaid envelope.

Even if you plan to attend the Annual Meeting, we recommend that you submit your proxy in advance of the meeting as described above so that your vote will be counted if you later decide not to attend the Annual Meeting. Submitting your proxy by telephone, Internet or mail will not affect your right to vote in person should you decide to attend the Annual Meeting. If you do attend and vote your shares in person at the Annual Meeting, after having voted by any of the methods described above, only your last vote will be counted.

Voting by Proxy for Shares Held In Street Name. If you are the beneficial owner of shares held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to instruct how your shares are to be voted at the Annual Meeting.

How Will The Board Vote My Proxy?

If you grant us your proxy to vote your shares (whether by telephone or over the Internet or by completing, signing and returning your proxy card by mail), and you do not revoke that proxy prior to the Annual Meeting, your shares will be voted as directed by you. If you do not provide any specific direction as to how your shares should be voted, your shares will be voted: “FOR ALL” eleven director nominees named in the Notice of Annual Meeting (Proposal No. 1) for election to the Board of Directors; “FOR” ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015 (Proposal No. 2); and “FOR” approval, on a non-binding advisory basis, of the compensation of our named executive officers (Proposal No. 3).

If any other matter should be properly presented at the Annual Meeting upon which a vote may be taken, the shares represented by your proxy will be voted in accordance with the judgment of the holders of the proxy. However, if your shares are held in a brokerage account, please read the information below under the caption “Voting Shares Held by Brokers, Banks and Other Nominees” regarding how your shares may be voted.

Voting Shares Held by Brokers, Banks and Other Nominees

We ask brokers, banks and other nominee holders to obtain voting instructions from the beneficial owners of our common stock. Proxies that are returned to us by brokers, banks or other nominee holders on your behalf will count toward a quorum and will be voted in accordance with the voting instructions you have sent to your broker or bank or other nominee holder. If, however, you want to vote your shares in person at the Annual Meeting, you will need to obtain a legal proxy or broker’s proxy card from your broker, bank or other nominee holder and bring it with you to the Annual Meeting. If you fail to provide voting instructions to, or you attend the Annual Meeting and do not obtain a legal proxy or broker’s proxy from, your broker, bank or other nominee, your shares will not be voted, except as

provided below with respect to certain “routine” matters.

Under rules applicable to securities brokerage firms, a broker who holds shares in “street name” for a customer may generally vote your shares in its discretion on “routine” proposals, but does not have the authority to vote those shares on any “non-routine” proposal, except in accordance with voting instructions received from the customer. Proposal No. 1 (election of directors) and Proposal No. 3 (advisory vote on the compensation of our named executive officers) are considered “non-routine.” Therefore, if you hold your shares in street name and want your shares to be voted on these proposals, you must give voting instructions to

your broker. Proposal No. 2 (ratification of the appointment of the independent registered accounting firm) is considered routine and may be voted upon by your broker even if you do not provide instructions to your broker. If you do not submit voting instructions to your broker and your broker exercises discretion to vote your shares on Proposal No. 2, your shares will be treated as "broker non-votes" on each of the other proposals at the Annual Meeting.

Vote Required

Quorum Requirement. Our Bylaws require that a quorum - that is, the holders of a majority of all of the shares entitled to vote at the Annual Meeting - be present, in person or by proxy, before any business may be transacted at the Annual Meeting (other than adjourning the Annual Meeting to a later date to allow time to obtain additional proxies to satisfy the quorum requirement).

Proposal No. 1 - Election of Directors. A plurality of the votes cast is required for the election of directors. This means that the eleven nominees for election to the Board who receive the highest number of votes cast will be elected. As a result, any shares voted "Withhold" and broker non-votes will not be counted in determining the outcome of the election. However, shares voted "Withhold" and broker non-votes are considered present at the meeting for purposes of determining whether a quorum is present.

Proposal No. 2 - Ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015. The affirmative vote of a majority of the shares present or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of McGladrey LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015. Abstentions will have the same effect as a vote cast against the Proposal.

Proposal No. 3 - Advisory Vote on the Compensation of our Named Executive Officers. The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote at the Annual Meeting is required to approve, on a non-binding advisory basis, our 2014 compensation of our named executive officers, which is described in this Proxy Statement. Abstentions and "broker non-votes" will have the same effect as a vote "Against" this proposal.

How You Can Revoke Your Proxy or Voting Instructions and Change Your Vote

If you are the record owner of your shares, you may revoke any vote you may have made on the Internet or by telephone or any proxy you may have returned by mail, at any time before your vote has been cast or your proxy has been voted, by taking one of the following actions:

- attending the Annual Meeting and voting in person;
 - completing, signing and submitting a signed proxy card bearing a later date than the date of your earlier vote or proxy;
- or

• sending a written revocation of your proxy to the Company's Corporate Secretary at 949 South Coast Drive, Third Floor, Costa Mesa, California 92626. To be effective, the notice of revocation must be received by the Company before the Annual Meeting commences. If, after revoking your proxy in this manner, you want to vote your shares, you may do so only by one of the methods set forth above, and not over the Internet or by phone.

However, if your shares are held by a broker, bank or other nominee holder, you will need to contact your broker, bank or the nominee holder if you wish to revoke any voting instructions that you previously gave to your broker, bank or other nominee holder.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENTⁱ

Set forth below is certain information, as of April 1, 2015 (except where another date is indicated), regarding the shares of our common stock that were owned, beneficially, or which could be acquired on conversion of the Series B Shares, by (i) each person (or group of affiliated persons) who is known by us to beneficially own 5% or more of the outstanding shares of any class of our voting securities; (ii) each of our current directors and each nominee standing for election to our Board of Directors at the Annual Meeting; (iii) each of our named executive officers and (iv) all of our directors and executive officers as a group.

As of April 1, 2015, there were outstanding 19,756,812 shares of common stock, 2,105,262 shares of Series B Preferred Stock and 35,225 shares of Series C 8.4% Noncumulative Preferred Stock (the "Series C Preferred Stock"). Shares of Series B Preferred Stock are entitled to vote, on an as-converted basis, with the common stock on any matter presented to the holders of our common stock for their consideration at the Annual Meeting, and shares of Series C Preferred Stock do not have voting rights. As of April 1, 2015, Carpenter Community Bancfund L.P. and Carpenter Community Bancfund-A, L.P. (collectively, the "Carpenter Funds") beneficially owns 695,488 shares of Series B Preferred Stock and 11,628 shares of Series C Preferred Stock, and SBAV L.P. beneficially owns 1,409,774 shares of Series B Preferred Stock and 23,597 shares of Series C Preferred Stock.

Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Pacific Mercantile Bancorp, 949 South Coast Drive, Third Floor, Costa Mesa, California 92626.

Name	Number of Common Shares Owned Beneficially ⁽¹⁾		Common Shares into which Series B Shares are Convertible ⁽²⁾		Total Number of Voting Shares Owned Beneficially ⁽¹⁾⁽²⁾	Percent of Outstanding Voting Shares ⁽³⁾	
Carpenter Community Bancfund LP	6,423,500	(5)	695,488	(5)	7,118,988	32.6	%
Carpenter Community Bancfund-A LP							
Carpenter Fund Manager GP, LLC							
Edward J. Carpenter ⁽⁴⁾	2,949	(5)	—		2,949	*	
John D. Flemming ⁽⁴⁾	2,212	(5)	—		2,212	*	
Howard N. Gould ⁽⁴⁾	2,212	(5)	—		2,212	*	
Arthur A. Hidalgo							
James B. Jones							
5 Park Plaza, Suite 950, Irvine, CA 92614-8527							
Clinton Group Inc.	152,470	(6)	1,409,774	(6)	1,562,244	7.1	%
SBAV LP							
SBAV GP LLC							
601 Lexington Ave. 51st Floor, New York, NY 10022							
First Manhattan Co.	1,773,517	(7)	—		1,773,517	8.1	%
399 Park Avenue, New York, NY 10022							
Basswood Capital Management L.L.C. and affiliates	1,189,070	(8)	—		1,189,070	5.4	%
645 Madison Avenue, 10th Floor, New York, NY 10022							
Clover Partners, L.P. and affiliates	1,014,615	(9)	—		1,014,615	4.6	%
100 Crescent Court, Suite 575, Dallas, TX 75201							
Romir Bosu	—		—		—	*	
John W. Clark	46,428		—		46,428	*	
Warren T. Finley	38,872	(10)	—		38,872	*	
Michael P. Hoopis	2,212		—		2,212	*	

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Denis Kalscheur	—	—	—	*	
Daniel A. Strauss	3,774	(11) —	3,774	*	
John Thomas, M.D.	182,763	(10) —	182,763	*	
Stephen P. Yost	8,581	—	8,581	*	
Steven K. Buster	134,918	(10) —	134,918	*	
Robert J. Stevens	29,019	—	29,019	*	
Thomas M. Vertin	149,887	(10) —	149,887	*	
All directors and executive officers as a group (17 persons)	663,543	(12) —	663,543	3.0	%

* Represents less than 1% of the shares outstanding as of April 1, 2015.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (“SEC”). Under those rules and for purposes of the table above (i) if a person has decision making power over either the voting or the disposition of any shares, that person is generally deemed to be a beneficial owner of those shares; and (ii) if two or more persons have decision making power over either the voting or the disposition of any shares, they will be deemed to share beneficial ownership of those shares. In addition, a person is deemed to own

(1) beneficially shares of common stock which that person was able to acquire on April 1, 2015 or will become entitled to acquire at any time within 60 days thereafter, on conversion of convertible securities (such as our Series B Shares) or on exercise of options outstanding under our equity incentive plans, and those shares of common stock will be deemed to be outstanding for purposes of computing the percentage of the outstanding shares that are beneficially owned by that person (but not for purposes of computing the percentage of the outstanding shares that are beneficially owned by any other person).

Each share of Series B Preferred Stock that was outstanding on April 1, 2015 was convertible into approximately
(2) 18.8 shares of common stock, at a conversion price of \$5.32 per share, and each holder of any shares of Series B Preferred Stock is deemed to own beneficially the shares of common stock into which such Series B Shares are convertible.

Percentage ownership is based on 21,862,074 shares of common stock deemed to be outstanding as of
(3) April 1, 2015, which is comprised of (i) 19,756,812 shares of our common stock that were outstanding, and (ii) 2,105,262 shares of common stock into which the Series B Preferred Shares were convertible, in each case as of April 1, 2015.

Messrs. Carpenter, Flemming and Gould are members of, and have been nominated for election, at the
(4) Annual Meeting, to our Board of Directors. Mr. Carpenter is Chairman of the Board of both the Company and the Company's wholly owned subsidiary, Pacific Mercantile Bank (the “Bank”).

According to a report filed with the SEC, the Carpenter Funds and their general partner, Carpenter Fund Manager GP, LLC (“CFMGP”), share beneficial ownership of those shares. Messrs. Carpenter, Flemming, and Gould and
(5) Arthur A. Hidalgo and James B. Jones may be deemed to share beneficial ownership of these shares with the Carpenter Funds and CFMGP, because they are CFMGP’s managing members. However, each of those managing members disclaims beneficial ownership of all of the shares beneficially owned by the Carpenter Funds and CFMGP.

According to Amendment No. 4 to a Schedule 13D filed with the SEC on November 7, 2014, SBAV LP, a Delaware limited partnership (“SBAV”) and its general partner, SBAV GP LLC, a Delaware limited liability company (“SBAV GP”), share beneficial ownership of 1,409,774 shares of common stock, which are the number of shares into which 75,000 Series B Preferred Stock beneficially owned by them are convertible. In addition, pursuant to the same Amendment No. 4 to Schedule 13D and subsequent Form 4 filings with the SEC, Clinton Group, Inc., a Delaware Corporation (“Clinton Group”), has voting power and investment power over 152,470 shares of our common stock, which are held by Clinton Relational Opportunity Master Fund, L.P., a Cayman Islands
(6) exempted limited partnership (“CREL”), SBAV and a mutual fund portfolio (“WKCA”). By virtue of serving as the general partner of SBAV, SBAV GP has voting power and investment discretion with respect to the securities which are held by SBAV. By virtue of serving as the investment manager of CREL, Clinton Relational Opportunity, LLC, a Delaware limited liability company (“CRO”), has voting power and investment discretion with respect to the securities which are held by CREL. Mr. George Hall serves as the Chief Executive Officer of Clinton Group and the managing member of SBAV GP. Each of Clinton Group, SBAV, Mr. Hall, CREL and CRO disclaim beneficial ownership of the 152,470 shares of common stock, except to the extent such person's pecuniary interest therein.

According to a report filed with the SEC, as of December 31, 2014, First Manhattan Co. holds sole voting and
(7) dispositive power with respect to 182,150 of these shares, shares voting power with respect to 1,437,678 of these shares and shares dispositive power with respect to 1,591,367 of these shares.

According to a report filed with the SEC on February 17, 2015, as of December 31, 2014, Basswood Capital
(8) Management, LLC, Matthew Lindenbaum and Bennett Lindenbaum share voting and dispositive power with respect to all 1,189,070 of these shares and have no sole voting or dispositive power over any of these shares.

According to a report filed with the SEC on February 13, 2015, as of December 31, 2014, Clover Partners, L.P., its general partner Clover Investments, L.L.C. and Michael C. Mewhinney, the principal of Clover Investments, (9) L.L.C., share voting and dispositive power with respect to all 1,014,615 of these shares and have no sole voting or dispositive power over any of these shares.

Includes the following numbers of shares which may be purchased on exercise of stock options that were (10) exercisable on or will become exercisable within 60 days of April 1, 2015: Dr. Thomas - 22,000 shares; Mr. Finley - 35,000 shares; Mr. Buster - 66,668 shares; and Mr. Vertin - 97,732 shares.

Includes 1,667 shares which may be purchased on exercise of stock options that were exercisable on or will (11) become exercisable within 60 days of April 1, 2015. Mr. Strauss is a Senior Vice President of Clinton Group. Mr. Strauss disclaims beneficial ownership of the shares shown in note (6) above as being beneficially owned by Clinton Group.

Includes 232,795 shares of common stock which may be purchased on exercise of stock options that were (12) exercisable on or will become exercisable within 60 days of April 1, 2015; but excludes the shares of common stock as to which directors or officers have disclaimed beneficial ownership, as described in the above footnotes.

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ELECTION OF DIRECTORS

(Proposal No. 1)

Size of Board

Our Bylaws currently provide that the authorized number of directors shall not be less than seven or more than thirteen with the exact number of directors, within that range, to be fixed from time to time by resolution of the Board of Directors. The authorized number of directors is currently fixed at twelve and the Board is currently composed of twelve directors. Mr. John W. Clark, one of our current directors, is not standing for re-election to the Board of Directors at the Annual Meeting. Accordingly, effective upon the election to our Board of Directors of the eleven director nominees named below, the number of directors constituting our Board of Directors will be reduced to eleven. The eleven nominees named below were nominated for election to the Board by the Board of Directors, upon recommendation of the Nominating Committee.

Nominees

Our Board of Directors has nominated the eleven individuals named below for election to the Board for a term of one year ending at the 2016 Annual Meeting of Shareholders and until their respective successors are elected and qualify to serve. Each of those nominees has consented to serve as a director, if elected at the upcoming Annual Meeting. All of the eleven nominees are currently serving as directors and, except for Messrs. Romir Bosu and Denis Kalscheur, stood for election and were elected to the Board of Directors at the 2014 Annual Meeting of Shareholders held in May 2014.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR ALL” ELEVEN NOMINEES NAMED BELOW FOR ELECTION TO THE BOARD OF DIRECTORS

Name of Nominee	Age	Director Since	
Romir Bosu	42	2015	(1)
Steven K. Buster	64	2013	
Edward J. Carpenter	70	2012	
Warren T. Finley	83	1999	(2)
John D. Flemming	56	2012	
Howard N. Gould	65	2014	
Michael P. Hoopis	63	2012	
Denis Kalscheur	64	2015	(3)
Daniel A. Strauss	29	2011	
John Thomas, M.D.	64	1999	(2)
Stephen P. Yost	69	2013	

(1) Romir Bosu has served as a director of the Company and the Bank since February 2015 and was initially identified and recommended for appointment to the Board of Directors by a non-management director.

The Bank was organized and commenced its operations, and each of these individuals became directors of the (2)Bank, in 1999. The Company was organized in 2000 to become the holding company for the Bank, at which time each of these individuals also became directors of the Company.

(3) Denis Kalscheur has served as a director of the Company and the Bank since February 2015 and was initially identified and recommended for appointment to the Board of Directors by a non-management director.

Vote Required

Under California law and our Bylaws, the eleven nominees receiving the highest number of votes cast in the election of directors will be elected to serve as directors of the Company for the ensuing year. As a result, any shares that are voted “withhold” and broker non-votes will not be counted in determining the outcome of the election.

Unless otherwise instructed, the persons who are named as the proxy holders on the enclosed proxy card intend to vote the proxies received by them for the election of all eleven of the nominees. If, prior to the Annual Meeting, any of the nominees becomes unable or unwilling for good cause to serve as a director, the proxy holders will vote the proxies received by them for the election of any substitute nominee selected by the Board of Directors. The Company

has no reason to believe that any of the nominees will become unable or unwilling to serve. In addition, if any shareholder gives notice at the Annual Meeting, prior to

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voting, of his or her intention to cumulate votes in the election of directors, the proxy holders will have the discretion to allocate and cast the votes represented by each of the proxies they hold among the above-named nominees for whom authority to vote has not been withheld, in such proportions as the proxy holders deem appropriate in order to elect as many of the nominees named above as is possible.

Set forth below is information relating to the principal occupations, recent business experience and qualifications of each of the nominees selected by the Board of Directors for election to the Company's Board of Directors at the Annual Meeting.

Romir Bosu has served as a member of the Board of Directors since February 2015. Mr. Bosu founded in 2014 and is Chairman of the Board of Nadavon Capital Partners, Inc., a firm focused on making strategic investments in the financial technology sector. Mr. Bosu founded and was the Chief Executive Officer from 1995 through 2014 of Compushare, a financial technology management company focused on serving community-based financial institutions. After amassing a customer base of more than 1,000 financial institutions across the United States, Compushare was acquired by D+H, a financial technology company based in Canada in 2013. Following the acquisition of Compushare by D+H, Mr. Bosu served on the U.S. Advisory Board for D+H. Mr. Bosu has served on the board of the Association for Financial Technology and often speaks to groups of community financial institution executives on the topics of technology and regulatory compliance. Mr. Bosu also previously served on the board of Caneum, Inc., a global provider of business process and information technology outsourcing services. Mr. Bosu's extensive information technology background will add critical technology and systems management experience to our Board of Directors.

Steven K. Buster has served as the President and Chief Executive Officer of the Company and the Bank and a member of our Board of Directors since April 2013. Mr. Buster served as the President, Chief Executive Officer and a director of Mechanics Bank, from 2004 through December 31, 2012. Mr. Buster has more than 40 years of experience as a banking executive in California, the Western United States and internationally. He served as Managing Director of US Trust Company, NA, where he was responsible for all of its banking activities in the Western United States from 2000 to 2004. During 1999 and 2000, Mr. Buster served as Chief Operating Officer for the District Attorney, County of Los Angeles, with responsibility for transformation of the Bureau of Child Support. During the period from 1973 through 1998, Mr. Buster served first with First Interstate Bank, and following its acquisition by Standard Chartered Bank, with Standard Chartered Bank, in a variety of California and international roles including London and Singapore with significant responsibility and authority. Mr. Buster was born in Fullerton and raised in Tustin, California and has extensive business and personal contacts throughout the Bank's service area. As a result, Mr. Buster brings extensive leadership and banking experience to our Board. Mr. Buster's extended career in banking, his demonstrated managerial, communication and strategic skills, as well as his broad and deep banking industry and bank regulatory experience are powerful and important attributes that support our Board of Directors. In addition, the Board of Directors values Mr. Buster's in-depth knowledge of the Company through his position as our President and Chief Executive Officer, including with respect to its operations, strategy, financial condition and competitive position.

Edward J. Carpenter has served as the Chairman of the Board and a member of our Board of Directors since 2012. Mr. Carpenter is Chairman and Chief Executive Officer of Carpenter & Company, a Managing Member of the General Partner of the Carpenter Funds and Chair of their Investment and Governance Committee. Since founding Carpenter & Company in 1974, he led the firm as it developed its financial institutions practice, its asset management, and its investment banking services. Mr. Carpenter has served as a member of legislative review committees for California and federal bank regulatory bodies including the Office of the Comptroller of the Currency in Washington, D.C. and on advisory boards for the California Department of Corporations and the California State Banking Department. Mr. Carpenter has served on the board of directors for numerous banks located throughout the nation. Mr. Carpenter also is a trustee of Loyola Marymount University and Loyola Law School and a member of the board of directors of the International Medical Corps. Mr. Carpenter is the past Chair of the California Institute, Vice-Chair of the California Statewide University Foundation and a board member of the Orange County Performing Arts Center. Mr. Carpenter received his BBA from Loyola Marymount University and his MBA from California State University, Long Beach. Mr. Carpenter was elected to our Board of Directors, and has been selected as a director nominee, pursuant to an investor rights agreement with the Carpenter Funds, which granted to them the right to designate three

individuals for election to our Board of Directors, subject to the terms and conditions of the investor rights agreement. The investor rights agreement was entered into in connection with purchases by the Carpenter Funds of \$3.7 million of our Series B Shares and \$26.3 million of our shares of common stock. Mr. Carpenter's extensive career in various facets of the banking industry, along with his analytical, communication and managerial skills, his deep understanding of the banking industry and extensive contact with senior management of hundreds of banking companies and federal regulators are valuable attributes for our Board of Directors.

Warren T. Finley has served as a director of the Company and the Bank since the respective dates of their inception in 1999 and 2000. Mr. Finley has been engaged in the private practice of law in Orange County for over 50 years.

Mr. Finley also served as a director and a member of the audit committee of Eldorado Bank and its parent holding company, Eldorado Bancorp, from 1972 to 1997. As a result, Mr. Finley has extensive community banking experience in Orange County, which is one of our significant markets. Prior to becoming a lawyer, Mr. Finley was a certified public accountant and was employed as an accountant at Price

Waterhouse & Co. As a result of his accounting experience, Mr. Finley is familiar with financial reporting requirements and financial issues, making him an effective member of Audit Committee.

John D. Flemming has served as a member of our Board of Directors since 2012. Since 1991, Mr. Flemming has served as President and Chief Operating Officer of Carpenter & Company and a managing member of the general partner of the Carpenter Funds. Mr. Flemming has been associated with Carpenter & Company for over 20 years, and today oversees all activities of the firm. During his tenure at Carpenter & Company, Mr. Flemming has built, managed and supervised the government asset management practice, the broker/dealer subsidiary, the investment banking function, and private equity activities of the firm. From 2009 to 2014, Mr. Flemming has served as a director of Manhattan Bancorp and its bank subsidiary, Bank of Manhattan, N.A., and chairs its Compensation Committee. Mr. Flemming is a magna cum laude graduate of Harvard College and holds General Securities Principal and Representative licenses. Mr. Flemming was elected to our Board of Directors, and has been selected as a director nominee, pursuant to an investor rights agreement which granted to the Carpenter Funds the right to designate three individuals for election to our Board of Directors, subject to the terms and conditions of the investor rights agreement. The investor rights agreement was entered into in connection with purchases by the Carpenter Funds of \$3.7 million of our Series B Shares and \$26.3 million of our shares of common stock. Mr. Flemming possesses strong analytical, structuring, communication and managerial skills, as well as a strong strategic understanding of the banking industry and contact with senior management of hundreds of banking companies and federal regulators.

Howard N. Gould has served as a member of our Board of Directors since 2014. Mr. Gould has also served as a member of the Board of Directors of the Bank since 2013, and as the unpaid Chairman of the Office of the President of the Bank from August 24, 2012 through April 17, 2013. Mr. Gould has held key executive management positions in multi-billion dollar banks over several decades, including Vice Chairman and COO of Sanwa Bank and Vice Chairman of Bank of the West. He is Vice Chairman of Carpenter & Company (2005-present); Managing Member of Carpenter Fund Manager GP, LLC (2007-present); Director of Bridge Capital Holdings, Inc., San Jose, California (2008-present); Director of Heritage Oaks Bancorp and Bank, Paso Robles, California (present); former Director of Nara Bancorp, Los Angeles, California (2005-June 2010); and former Director of Mission Community Bancorp (2008-2014). In addition to his bank executive management experiences, he also was partner at The Secura Group, one of the most active financial services consulting practices in the U.S. Mr. Gould served as a former Commissioner of Financial Institutions for the State of California under two Governors and will be able to provide the Company significant insight into our banking practices and the regulation of financial institutions.

Denis Kalscheur has served as a member of our Board of Directors since February 2015. Mr. Kalscheur is, and since 2013 has served as, a Director and the Chief Executive Officer of Aviation Capital Group, a wholly owned subsidiary of Pacific Life Insurance Company (“Pacific Life”). Mr. Kalscheur served as SVP and Treasurer of Pacific Life from 2010 through 2012. Mr. Kalscheur also had significant roles with College Savings Bank, a New Jersey chartered state savings bank and wholly owned subsidiary of Pacific Life, including serving as a Director (2002-2012), Audit Committee Chairman (2003-2007) and Chairman (2010-2012). Prior to joining Pacific Life, Mr. Kalscheur held a number of finance and accounting roles in various airline industry firms. He served as President and Chief Executive Officer of Elsinore Aerospace, a global aviation engineering and certification, maintenance, modification and quality management company. He served as Chief Financial Officer of U.S. passenger airline AirCal and its parent, ACI Holdings. Mr. Kalscheur began his airline industry career as Vice President and Treasurer of Tiger International, a global diversified transportation company and its wholly owned subsidiary Flying Tiger, a global cargo airline. Mr. Kalscheur's extensive finance background and his decade of experience as a director of College Savings Bank will add sound industry experience to our Board of Directors.

Michael P. Hoopis has served as a member of our Board of Directors since 2012. Mr. Hoopis is, and since 2006 has been, President, Chief Executive Officer and a member of the Board of Directors of Targus Group International, Inc., a worldwide leader in the manufacture and marketing of cases and accessories for laptop computers, tablets and e-readers. Prior to joining Targus, Mr. Hoopis served as the President and Chief Executive Officer of Water Pik Technologies, Inc. for seven years and was responsible for overseeing the spin-off and transition of Water Pik from a segment of Allegheny Teledyne to a public company in 1999. Prior to joining Water Pik, Mr. Hoopis held several executive management positions at Black & Decker from 1989-1998, including President of Worldwide Household

Products, Price Pfister, Inc. and Kwikset Corporation. Prior to joining Black & Decker, Mr. Hoopis held several management positions with Beatrice Foods Inc. Mr. Hoopis earned his B.S. degree from the University of Rhode Island. Mr. Hoopis was elected to our Board of Directors, and has been selected a a director nominee, pursuant to an investor rights agreement which granted to the Carpenter Funds the right to designate three individuals for election to our Board of Directors, subject to the terms and conditions of the investor rights agreement. The investor rights agreement was entered into in connection with purchases by the Carpenter Funds of \$3.7 million of our Series B Preferred Stock and \$26.3 million of our shares of common stock. Mr. Hoopis's extensive leadership and managerial experience enables him to provide valuable insights to our Board of Directors into how to manage risk in a business environment.

Daniel A. Strauss has been a director of the Company since 2011. Since 2011, Mr. Strauss has served as a Portfolio Manager of Clinton Group, where he serves as a Senior Strategist on its private and public equity investment team. In that position, Mr. Strauss

is responsible for evaluating and effectuating equity financing transactions across a range of industries, including the banking and financial services industries. From 2008 to 2010, Mr. Strauss was employed as an Associate in the private equity investment group at Angelo, Gordon & Co. Prior to joining that firm, Mr. Strauss was an investment banking analyst in the mergers and acquisitions group of Houlihan Lokey. Mr. Strauss holds a Bachelors of Science degree in Finance and International Business from the Stern School of Business at New York University. Mr. Strauss was elected to the Board, and has been selected as a director nominee, pursuant to an investor rights agreement which granted SBAV the right to designate one individual for election to our Board of Directors subject to the terms and conditions of that agreement. The investor rights agreement was entered into in connection with its purchase of \$7.5 million of the Company's Series B Shares in August 2011. Mr. Strauss brings to the Board of Directors extensive knowledge with respect to the structuring of equity financings and the evaluation of bank acquisition opportunities. John Thomas, M.D. has served as a director of the Company and the Bank since the respective dates of their inception in 1999 and 2000. Dr. Thomas is a licensed physician who is, and for more than the past 17 years has been, engaged in the private practice of medicine, specializing in Radiation Oncology. He also serves as, and for over 10 years has been, the Medical Director of the Red Bluff Cancer Center, which he founded and has grown into a leading provider of specialty medical services. He is a Diplomate and Fellow of the American Board of Radiology and a Fellow of the American College of Radiation Oncology, and served as a member of its Standards Committee for 10 years. He brings to our Board his managerial experience, gained from founding, managing and growing his Cancer Center, which has enabled him to provide valuable insights about how we can better serve our smaller business customers, which include medical practices and medical service providers.

Stephen P. Yost has served as a member of our Board of Directors since 2013. He established Kestrel Advisors, a credit risk consulting firm that focuses on the banking, financial, and legal communities following his retirement from Comerica Bank in 2006. During his 35 plus years in banking, the vast majority of Mr. Yost's career was in credit administration. He was a Regional Chief Credit Officer for Comerica Bank and the Executive in charge of its Special Assets Group for the Western Region. Mr. Yost was the Chief Credit Officer of Imperial Bank prior to its merger with Comerica. He was also a Senior Credit Officer with First Interstate Bank and Mellon Bank, N.A. Mr. Yost is currently a director for Manhattan Bancorp (El Segundo, California) and subsidiaries, and Heritage Oaks Bancop (Paso Robles, California; NASDAQ:HEOP) and subsidiaries. Mr. Yost chairs the directors' loan committees of Pacific Mercantile Bank and Bank of Manhattan and is a member of several other standing committees. Mr. Yost holds an MBA from the University of Santa Clara. Due to his extensive knowledge of bank lending and credit issues, Mr. Yost is a valuable addition to the Board and to the Board's credit policy committee, which is responsible for establishing lending policies, providing oversight of the Bank's lending and credit functions and approving the larger loans made by the Bank.

THE BOARD OF DIRECTORS

The Role of the Board of Directors

In accordance with our Bylaws and California law, the Board of Directors oversees the management of the business and affairs of the Company. The members of the Board also are members of the Board of Directors of the Bank, which accounts for substantially all of the Company's consolidated operating results. The members of the Board keep informed about our business through discussions with senior management and other officers and managers of the Company and the Bank, by reviewing analyses and reports sent to them by management and outside consultants, and by participating in Board and in Board committee meetings.

During 2014, our Board of Directors held a total of twelve meetings and each director attended at least 75% of the total number of those meetings and the meetings of the Board committees on which he served during his term of office as a director in 2014. We encourage our directors to attend our annual meetings of shareholders. All of our then-current directors attended our 2014 Annual Meeting of Shareholders.

As reflected in our corporate governance guidelines (the "Governance Guidelines") discussed in greater detail below, our Board members are encouraged to prepare for and attend all Board and shareholder meetings and the meetings of the Board committees on which they are members.

Director Independence and Composition and Structure of the Board

The Board has determined that each of Messrs. Bosu, Carpenter, Clark, Finley, Flemming, Gould, Hoopis, Kalscheur, Strauss and Yost and Dr. Thomas are independent under the definition of independence set forth in NASDAQ's listed

company rules. In addition, our Board of Directors determined that Mr. Andrew Phillips, who resigned from the Board of Directors in August 2014, met the definition of independence set forth under NASDAQ's listed company rules during the time in which he served on the Board of Directors. Mr. Buster is not an independent director because he is currently an executive officer of the Company. In reaching these conclusions, the Board determined that there are no relationships, between the Company or the Bank and any of the non-management directors who were determined to be independent that would interfere with the exercise of such director's independent judgment in carrying out the responsibilities of a director.

Board Leadership Structure

Our Board of Directors has chosen to separate the positions of principal executive officer and chairman of our Board of Directors. Our Board of Directors believes that it is advisable to separate the two positions because combining both positions in the same individual might concentrate too much power in the hands of a single executive. Having an independent Chairman of our Board of Directors also facilitates communications and relations between our Board of Directors and the Company's officers.

Term of Office of Directors

All of our directors are elected for a term of one year and until their respective successors are elected and qualify to serve on the Board. If a vacancy occurs in any Board position between annual meetings, the Board may fill the vacancy by electing a new director to that position. The Board may also create a new director position and elect a director to hold the newly created position for a term ending at the next annual meeting of shareholders.

Communications with the Board

Shareholders interested in communicating with members of the Board of Directors or the non-management directors as a group may do so by writing to the Chairman of the Board of Directors, c/o Corporate Secretary, Pacific Mercantile Bancorp, 949 South Coast Drive, Third Floor, Costa Mesa, California 92626. The Corporate Secretary will review and forward to the appropriate members of the Board copies of all such correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the Board or its committees or that she otherwise determines requires their attention. Concerns relating to accounting, internal controls or auditing matters will be brought promptly to the attention of the Chairman of the Audit Committee and will be handled in accordance with procedures established by that committee.

Corporate Governance Guidelines

Our Board of Directors believes that sound governance practices and policies provide an important framework to assist them in fulfilling their oversight duties. Our Board has corporate governance guidelines (the "Governance Guidelines"), which include a number of the practices and policies under which our Board has operated for some time, together with concepts suggested by various authorities in corporate governance and the requirements under NASDAQ's listed company rules and the Sarbanes-Oxley Act of 2002.

Some of the principal subjects covered by our Governance Guidelines include:

• Director Qualifications, which include a Board candidate's independence, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries; his or her understanding of our business and the business environment in which we operate; and the candidate's ability and willingness to devote adequate time and effort to Board responsibilities.

• Responsibilities of Directors, including acting in the best interests of all shareholders; maintaining independence; developing and maintaining a sound understanding of our business and the industry and the markets in which we operate; preparing for and attending Board and Board committee meetings; and providing active, objective and constructive participation at those meetings.

• Director Access to Management and, as necessary and appropriate, Independent Advisors, including encouraging presentations to the Board from the officers responsible for functional areas of our business and from outside consultants who are engaged to conduct periodic reviews of various aspects of the Company's operations or the quality of certain of the Company's assets, such as the loan portfolio.

• Maintaining Adequate Funding to retain independent advisors for the Board, and also for its standing committees as the members of those committees deem to be necessary or appropriate.

• Director Orientation and Continuing Education, including programs to familiarize new directors with our business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts of interest policies, Code of Business and Ethical Conduct and Governance Guidelines. In addition, each director is expected to participate in continuing education programs relating to developments in the Company's business and in corporate governance.

• Annual Performance Evaluation of the Board, including an annual self-assessment of the Board's performance as well as the performance of each Board committee.

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Regularly Scheduled Executive Sessions, without management, are to be held by the Board and by the Audit Committee, which meets separately with the Company's outside auditors.

Code of Business and Ethical Conduct

We have adopted a Code of Business and Ethical Conduct for our officers and employees that also includes specific ethical policies and principles that apply to our Chief Executive Officer, Chief Financial Officer, the Bank's Chief Operating Officer and other key accounting and financial personnel. A copy of our Code of Business and Ethical Conduct can be found at the Investor Relations section of our website at www.pmbank.com. We intend to disclose, to the extent required by the applicable rules of the SEC and NASDAQ, at this location on our website, any amendments to that code and any waivers of the requirements of that code that may be granted to our executive officers, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions.

Human Resources and Compensation Committee Interlocks and Insider Participation

Edward Carpenter, John Flemming Michael P. Hoopis (Chairman), Daniel Strauss, and Dr. John Thomas served on the Human Resources and Compensation Committee during 2014. During 2014, none of the members of the Human Resources and Compensation Committee were officers or employees of the Company or had any relationships requiring disclosure by the Company under the SEC's rules requiring disclosure of certain relationships and related person transactions, and no executive officer of the Company served on the board of directors or compensation committee of any entity which has one or more executive officers serving as members of our Board of Directors or Compensation Committee.

Committees of the Board of Directors

The Board has four standing committees: an Audit Committee, a Human Resources and Compensation Committee, a Risk and Finance Committee and a Nominating and Governance Committee. Information regarding the members and the responsibilities of each of those Committees and the respective number of meetings held in 2014 by those Committees is set forth below.

Audit Committee. Currently the members of the Audit Committee are John W. Clark, its Chairman, and Romir Bosu, Warren T. Finley, Denis Kalscheur, John Thomas, M.D. and Stephen Yost. All of these individuals are independent directors within the meaning of the NASDAQ listed company rules and meet the enhanced independence requirements for audit committee members contained in Rule 10A-3 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Our Board of Directors has determined that Mr. Clark meets the definition of "audit committee financial expert" as defined in regulations adopted by the SEC and included in NASDAQ's rules for listed companies. The Audit Committee has a written charter that sets forth the Audit Committee's responsibilities, which include oversight of the financial reporting process and system of internal accounting controls of the Company, and the appointment and oversight of the independent registered public accounting firm engaged to audit the Company's financial statements. Our Board of Directors, upon the recommendation of the Audit Committee, approved that charter, a copy of which can be viewed at the Investor Relations section of our website at www.pmbank.com. The Audit Committee held a total of 12 Audit Committee meetings during 2014. To encourage frank discussion and effective communication of information at those meetings, that Committee meets with our outside accountants without management present, and with members of management without the outside accountants present.

Human Resources and Compensation Committee. This committee is comprised of the following five directors, all of whom are independent (as defined in the applicable NASDAQ listed company rules): Michael P. Hoopis, its Chairman, and Edward Carpenter, John Flemming, Daniel Strauss and Dr. John Thomas. The Compensation Committee reviews and approves the salaries and the incentive compensation and other benefit plans for our executive officers. In addition, the Compensation Committee evaluates the performance of the Chief Executive Officer and sets the Chief Executive Officer's compensation based on this evaluation. The Compensation Committee also makes all decisions regarding the granting of options or other equity incentives under our equity incentive plans. Our Board of Directors has adopted a charter setting forth the role and responsibilities of the Compensation Committee. A copy of that charter can be viewed at the Investor Relations section of our website at www.pmbank.com. The Compensation Committee held five Human Resources and Compensation Committee meetings in 2014.

In determining whether the Company offers salaries, bonus and incentive and other compensation programs that are competitive with those offered by other banking institutions and financial service organizations in the Bank's market area, the Compensation Committee reviews surveys of executive compensation paid by such banking organizations,

an annual Executive Compensation Review published by the SNL Securities L.C. (“SNL”), which is an independent data base company that compiles financial performance and other financial data relating to banking institutions that file reports and proxy statements under the Exchange Act, and the California Bankers Association’s Compensation and Benefits Benchmark Survey, which presents data relating to the compensation paid to senior executives at California-based banking institutions, differentiated on the basis of their total assets. The Company’s President and Chief Executive Officer also advises the Compensation Committee on the performance of the other executive officers and their respective contributions to the achievement of Company’s financial objectives and makes recommendations to the Compensation Committee with respect to the compensation to be paid to them. Pursuant to its charter, the Compensation Committee may delegate its authority to subcommittees when appropriate. The Compensation Committee has not delegated, and has no current intention to delegate, any of its authority to any subcommittee.

Compensation Consultant

During 2014, the Compensation Committee retained an independent executive compensation consultant to assist the Compensation Committee in evaluating the compensation practices at the Company and to provide advice and ongoing recommendations regarding our executive compensation program consistent with our business goals and pay philosophy. During 2014, the Compensation Committee engaged McLagan, a consulting firm that provides compensation advisory services for the banking industry, for purposes of advising the Compensation Committee on all executive and director compensation related matters.

As part of its services to the Compensation Committee, McLagan periodically attends Compensation Committee meetings, either in-person or telephonically, and meets regularly with the Compensation Committee without members of management present. McLagan and members of management both assist the Compensation Committee in its review and preparation of proposed compensation packages for our executive officers and directors, as well as both short-term and long-term incentive programs for all of our employees generally.

In addition to advising the Compensation Committee on existing compensation related programs, McLagan also prepares competitive pay analysis and other reviews for the Compensation Committee that the Compensation Committee utilizes in determining our executive and director compensation programs. In preparing such information for the Compensation Committee's review, McLagan utilizes information supplied by management, compensation related information obtained from public filings, compensation related industry surveys and reports, and information from its proprietary database.

During 2014, the Compensation Committee specifically engaged McLagan to: (i) attend Compensation Committee meetings; (ii) provide guidance relative to regulatory requirements surrounding executive and director compensation; and (iii); provide general advice and consultation as needed with respect to the Company's executive and director compensation programs. The Company paid McLagan \$67,360 for services performed during 2014.

The Compensation Committee considered the independence of McLagan in light of applicable SEC rules and NASDAQ listing standards and concluded that the Compensation Committee's engagement of McLagan does not raise any conflict of interest.

Risk and Finance Committee. The members of the Risk and Finance Committee are Howard Gould, its Chairman, and Romir Bosu, Steven Buster, Edward Carpenter, Warren T. Finley, Daniel Strauss and Stephen Yost. The Risk and Finance Committee's primary responsibilities include oversight of the Company's (i) enterprise risk management policies and processes, including the identification of enterprise risks and the measures being implemented to mitigate those risks, (ii) compliance management processes, including the process for compliance with applicable bank regulatory requirements, and (iii) technology related processes, security and controls. This Committee also exercises oversight of the Bank's investment portfolio, liquidity, and capital policies and related processes and controls and its Community Reinvestment Act ("CRA") policies and processes. This Committee held 12 meetings in 2014.

Nominating and Governance Committee. The Nominating and Governance Committee is comprised of five members: John Flemming, its Chairman, and Edward J. Carpenter, John W. Clark, Michael M. Hoopis and Daniel Strauss. The Nominating and Governance Committee identifies and screens new candidates for Board membership and oversees the Company's governance policies and processes. Each of the Committee members is an "independent director" within the meaning of the NASDAQ listed company rules. Our Board of Directors has approved a charter setting forth the responsibilities of the Nominating and Governance Committee. A copy of that charter can be found at the Investor Relations section of our website at www.pmbank.com. The Committee held two meetings during 2014.

The Director Nominating Process. In identifying new Board candidates, the Nominating and Governance Committee seeks recommendations from existing board members and executive officers. In addition, the Nominating and Governance Committee will consider any candidates that may have been recommended by Company shareholders who have chosen to make those recommendations in accordance with the procedures described below. The Nominating and Governance Committee also may engage an executive search firm and other advisors as it deems appropriate to assist it identifying qualified candidates for the Board.

In assessing and selecting Board candidates, the Nominating and Governance Committee considers such factors, among others, as the candidate's independence, experience, knowledge, skills and expertise, as demonstrated by past employment and board experience, and the candidate's reputation for integrity. When selecting a nominee from among

candidates being considered by the Committee, it conducts background inquiries about and interviews with the candidates that the Committee members believe are best qualified to serve as directors, based on a number of factors, including, among others, whether the candidate has the ability, willingness and enthusiasm to devote the time and effort required of members of the Board; whether the candidate has any conflicts of interest or commitments that would interfere with the candidate's ability to fulfill the responsibilities of directors of the Company, including representing the interests of all shareholders and not a particular segment or group of shareholders, as well as serving on Board committees; whether the candidate's skills and experience would add to the overall competencies of the Board; whether

the candidate has any special background or experience relevant to the Company's business; and whether the candidate will meet the bank regulatory standards applicable to Board membership.

The Nominating and Governance Committee believes that differences in experience, knowledge, skills and viewpoints enhance Board performance. Thus, the Committee considers such diversity in selecting, evaluating and recommending proposed director nominees. However, the Committee has not implemented a formal policy with respect to the consideration of diversity for the composition of the Board of Directors.

Shareholder Recommendation of Board Candidates. Any shareholder desiring to submit a recommendation for consideration by the Nominating Committee of a candidate that the shareholder believes is qualified to be a director nominee at any annual meeting of shareholders may do so by submitting that recommendation in writing to the Board not later than 120 days prior to the first anniversary of the date on which the proxy materials for the prior year's annual meeting were first sent to shareholders. However, if the date of the upcoming annual meeting has been changed by more than 30 days from the anniversary of the prior year's meeting, the recommendation must be received within a reasonable time before the Company begins to print and mail its proxy materials for the upcoming annual meeting. In addition, the recommendation must be accompanied by the following information: (i) the name and address of the nominating shareholder and of the person being recommended for consideration as a candidate for Board membership; (ii) the number of shares of voting stock of the Company that are owned by the nominating shareholder, his or her recommended candidate and any other shareholders known by the nominating shareholder to be supporting the candidate's nomination; (iii) a description of any arrangements or understandings that relate to the election of directors of the Company, between the nominating shareholder, or any person that (directly or indirectly through one or more intermediaries) controls, or is controlled by, or is under common control with, such shareholder and any other person or persons (naming such other person or persons); (iv) such other information regarding the recommended candidate as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and (v) the written consent of the recommended candidate to be named as a nominee and, if nominated and elected, to serve as a director. Provided that these requirements are met, the Nominating Committee will consider any shareholder-recommended candidate for nomination for election to the Board using the same criteria and factors that it uses in evaluating candidates recommended by any Board members, officers or executive search firms. No shareholders recommended candidates for election to the Board for the upcoming Annual Meeting.

Role of the Board in Risk Management

The Board's responsibilities in overseeing the Company's management and business include oversight of the Company's key risks and management's processes and controls to manage them appropriately. Management, in turn, is responsible for the day-to-day management of risk and implementation of appropriate risk management controls and procedures.

The risk of incurring losses on the loans we make is an inherent feature of the banking business and, if not effectively managed, such risks can materially affect our results of operations. As a result, the Board as a whole exercises oversight responsibility over the processes that our management employs to manage those risks. The Board fulfills that oversight responsibility by:

- Monitoring trends in the Company's loan portfolio and the Company's allowance for loan and lease losses;
- Establishing internal limits related to the Company's lending exposure and reviewing and determining whether or not to approve loans in amounts exceeding certain specified limits;
- Reviewing and discussing, at least quarterly and more frequently, if deemed necessary, reports from the Bank's chief credit officer relating to such matters as (i) risks in the Company's loan portfolio, (ii) economic conditions or trends that could reasonably be expected to affect (positively or negatively) the performance of the loan portfolio or require increases in the allowance for loan and lease losses and (iii) specific loans that have been classified as "special mention," "substandard" or "doubtful" and, therefore, require increased attention of management;
- Reviewing, at least quarterly, management's determination of the allowance for loan and lease losses and any provisions required to be made to replenish or increase that allowance;
- Reviewing management reports regarding collection efforts with respect to non-performing loans; and
- Authorizing the retention and reviewing the reports of external loan review consultants with respect to the risks in and the quality of the loan portfolio.

Although risk oversight permeates many elements of the work of the full Board and its committees, the Audit Committee and the Risk and Finance Committee of the Board have direct and systematic responsibility for overseeing other significant risk management processes.

Audit Committee Oversight Responsibilities. The Audit Committee's responsibilities in overseeing risk management processes include:

- Oversight of the internal audit function, with the internal auditor reporting directly to the Audit Committee;
- Oversight of the Company's independent registered public accounting firm; and

Review of reports from management and the internal auditor regarding the adequacy and effectiveness of various internal controls.

Risk and Finance Committee Oversight Responsibilities. The Risk and Finance Committee's oversight of risk management processes include the review of policies and guidelines with respect to risk assessment and the processes employed by management in identifying the Company's major risk exposures and the actions being taken by management to monitor and control such exposures. The Committee also oversees management's implementation of measures that are designed to minimize to the extent practicable the risks of non-compliance with applicable federal and state banking laws and regulations by, among other things, (i) reviewing with the Bank's chief compliance officer (who reports directly to the Committee) and consulting with the Bank's legal counsel with respect to regulatory matters and issues that could have a significant impact on the Company or the Bank or could present emerging areas of risk, and (ii) overseeing regulatory compliance programs.

In performing their oversight responsibilities, the Board of Directors and the Audit and Risk and Finance Committees regularly receive reports from management and internal and external auditors, and periodically receive reports from outside consultants, regarding the Company's enterprise risk management programs, compliance programs, information security and business continuity programs, and any extraordinary claims or losses.

Our Board of Directors believes that the processes it has established for overseeing risk would be effective under a variety of leadership frameworks and therefore do not materially affect its choice of leadership structure as described under "Board Leadership Structure" above.

Compensation and Risk Management

The Company's Compensation Committee and Board of Directors have reviewed the Company's executive and employee compensation practices to analyze whether or not they create improper incentives that would result in a material risk to the Company. Based on this review and analysis, the Compensation Committee and the Board of Directors have determined that none of the Company's compensation practices for its executive officers or employees is reasonably likely to have a material adverse effect on the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Each of our directors, executive officers and persons who beneficially own more than 10% of any class of equity securities of the Company, is required, by Section 16(a) of the Exchange Act to file with the SEC (i) an initial report, on a Form 3, of his or her share ownership within 10 days of the time he or she first becomes a director, executive officer or 10% owner of the Company, and thereafter (ii) reports on Form 4 or Form 5, of their transactions in shares of our common stock or securities, such as options, that are exercisable or convertible into our common stock, not later than two business days following the occurrence of the transaction.

Set forth below is information regarding those reports which to our knowledge, based solely upon a review of the copies of the reports received by us and written representations that no other reports were required, were not timely filed in 2014:

A Form 4 was inadvertently filed late on April 22, 2014 with respect to a grant of 25,000 shares of restricted stock that took place on April 15, 2014, by Robert J. Stevens.

EXECUTIVE OFFICERS

Executive officers are appointed by and serve at the discretion of the Board of Directors. The names of our current executive officers, their ages as of January 31, 2015 and their positions with the Company and the Bank are set forth below.

Name and Age	Positions with Bancorp and the Bank
Steven K. Buster, 64	President and Chief Executive Officer of the Company and the Bank
Curt A. Christianssen, 54	Executive Vice President and Chief Financial Officer of the Company and the Bank
Maxwell G. Sinclair, 50	Executive Vice President and Chief Risk and Compliance Officer of the Company and the Bank
Robert E. Sjogren, 49	Executive Vice President and Chief Operating Officer of the Company and the Bank
Robert J. Stevens, 60	Executive Vice President and Chief Credit Officer of the Company and the Bank
Thomas M. Vertin, 61	President of Commercial Banking Division of the Bank

Set forth below is additional biographical information regarding our executive officers, other than Mr. Buster, whose biographical information is provided above under "Election of Directors (Proposal No. 1)."

Curt A. Christianssen joined Pacific Mercantile Bancorp and the Bank as Chief Financial Officer effective January 1, 2015, a role that he had served on an interim basis since December, 2013. He will retain his role as Executive Vice President and Chief Financial Officer of the Carpenter Community BancFund, a private equity-funded bank holding company, CCFW, Inc. d/b/a Carpenter & Company, a bank consulting firm, and Seapower Carpenter Capital, Inc., a broker/dealer subsidiary of CCFW. Prior to beginning in the interim role Mr. Christianssen served in a similar interim role at Manhattan Bancorp and the Bank of Manhattan since 2012. He has served as Executive Vice President and Chief Financial Officer of the Carpenter Community BancFund since 1999. From 1996 to 1999 Mr. Christianssen served as Chief Financial Officer and Director of Corporate Development for Dartmouth Capital Group and Eldorado Bancshares, Inc. From 1993 until its acquisition in 1996 by Eldorado Bancshares, Mr. Christianssen served as Chief Financial Officer of Liberty National Bank. Mr. Christianssen had previously served as Chief Financial Officer of Olympic National Bank from 1991 to 1993, as Chief Financial Officer of two financial institutions under the control of the Resolution Trust Corporation and as a Senior Management Consultant with the Ernst & Young firm. In addition, Mr. Christianssen served in a variety of financial positions with Continental Ministries and Colorado National Bancshares.

Maxwell G. Sinclair has served as Executive Vice President and Chief Risk and Compliance Officer of the Company and the Bank since January 2011. Prior to joining Pacific Mercantile Bank, Mr. Sinclair served as Vice President/Compliance and BSA Manager at Zions Bancorporation subsidiary California Bank & Trust from December 2005 to January 2011. During his five years at Zions Bancorporation (California Bank & Trust), Mr. Sinclair held various other positions in compliance and risk management. Mr. Sinclair has more than 23 years of experience in the banking industry, with most of his years of experience in compliance and audit and risk management.

Robert E. Sjogren has served as Executive Vice President and Chief Operating Officer of the Company and the Bank since September 2014 and as Executive Vice President and General Counsel of the Company and the Bank since November 2013. Prior to joining Pacific Mercantile Bank, Mr. Sjogren served in various roles at Carpenter & Company, a private equity firm that invests in community banks, serving most recently as General Counsel, Corporate Secretary and Chief Risk Officer from May 2006 to October 2013. During his eight years at Carpenter & Company, Mr. Sjogren also served as Chief Compliance Officer for the Carpenter Community Bancfund, its registered investment advisor and affiliated broker/dealer from January 2009 to October 2013.

Robert J. Stevens joined Pacific Mercantile Bancorp and the Bank in April 2014 as Executive Vice President and Chief Credit Officer of the Company and the Bank. Prior to joining the bank, Mr. Stevens served as Executive Vice President and Chief Credit Officer of Mission Community Bancorp and Mission Community Bank from April 2011 through April 2014. During 2010 and early 2011 he was a Principal with The Food Partners, an investment banking firm. Mr. Stevens served as Executive Vice President and Chief Credit Officer of Rabobank, N.A. from 2007 to 2009, and in other credit-related management positions within Rabobank International from 1993 to 2007. Mr. Stevens began his banking career with Wells Fargo Bank, N.A. in 1979, serving in a series of lending and management roles.

Thomas M. Vertin has served as President of the Commercial Bank Division since September 29, 2012. Prior to joining the Bank, Mr. Vertin held senior executive positions at Silicon Valley Bank (SVB), a wholly-owned subsidiary of SVB Financial Group, including Chief Operating Officer and Head of the California Division. Mr. Vertin led three turn-arounds during his 18 years with SVB and has more than 30 years of banking experience.

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Paid to Named Executive Officers

The following table provides information regarding the compensation of our named executive officers for the fiscal years ended December 31, 2014 and December 31, 2013.

Summary Compensation Table

Name and Principal Position	Year	Salary(\$)	Bonus Awards (\$)	Restricted Stock Awards (\$)(1)	Stock Option Awards (\$)(2)	All Other Compensation (\$)(3)(4)(5)	Total (\$)
Steven K. Buster ⁽⁶⁾ President & Chief Executive Officer of the Company and the Bank	2014	\$450,000	\$214,875	\$—	\$—	\$25,360	\$690,235
	2013	\$303,462	\$150,000	\$356,572	\$183,400	\$20,012	\$1,013,446
Robert J. Stevens ⁽⁷⁾ Executive Vice President and Chief Credit Officer	2014	221,730	64,125	160,250	—	58,550	504,655
Thomas M. Vertin President of Commercial Banking	2014	350,000	94,400	37,500	37,568	11,400	530,868
	2013	350,000	125,000	205,028	77,945	48,252	806,225

The amounts reported in this column represent the aggregate grant date fair value of restricted stock awards in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) No. 718-10. These values have been determined under the principles used to calculate the grant date fair value of (1) equity awards for purposes of the Company’s financial statements. For additional information regarding this valuation methodology and the assumptions used to arrive at the estimates, please refer to Note 11, “Stock-Based Employee Compensation Plans” to the Company’s consolidated financial statements included in the Company’s Annual Report to Shareholders for the year ended December 31, 2014.

The amounts reported in this column represent the aggregate grant date fair values of stock option awards in accordance with FASB ASC No. 718-10. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of the Company’s financial statements. For additional (2) information regarding this valuation methodology and the assumptions used to arrive at the estimates, please refer to Note 11, “Stock-Based Employee Compensation Plans” to the Company’s consolidated financial statements included in the Company’s Annual Report to Shareholders for the year ended December 31, 2014.

The 2014 amount in this column for Mr. Buster includes \$15,000 car allowance and \$10,360 of dues paid with (3) respect to a country club membership which was used by Mr. Buster in connection with his business development activities for the Company and the Bank.

The 2014 amount in this column for Mr. Stevens includes \$50,000 for relocation expenses pursuant to his (4) employment agreement and \$8,550 car allowance.

(5) The 2014 amount in this column for Mr. Vertin represents his car allowance.

(6) Mr. Buster was appointed by the Bank to the position of President and Chief Executive Officer of the Company and Bank effective April 17, 2013 and was not employed by the Company or the Bank prior to such time.

Mr. Stevens was appointed by the Bank to the position of Executive Vice President and Chief Credit Officer of the Company and Bank effective April 4, 2014 and was not employed by the Company or the Bank prior to such time.

(7) The 2014 amount reported in the "Salary" column of the table represents his annual base salary prorated for the number of months he was employed in 2014.

Narrative to Summary Compensation Table

The following describes the employment and severance arrangements we have with our named executive officers. For a discussion of the terms of the equity awards granted to the named executive officers during the fiscal year ending

December 31, 2014, see the discussion under “Equity Awards Granted in 2014” below. For a discussion of our Change in Control Severance Plan, see discussion under “Change in Control Severance Plan” below.

Compensation Paid and Payable to Mr. Buster

Mr. Buster has, since April 2013, been employed as the Chief Executive Officer of the Company and the Bank under a three year employment agreement. Under that agreement, Mr. Buster is paid a base salary of \$450,000 per year and, commencing in 2014, he was eligible to participate in any bonus or incentive compensation programs adopted for senior executives of the Bank.

The maximum target incentive payment will be an amount equal to up to 50% of Mr. Buster's annual rate of base salary then in effect, as determined by the Board in its sole discretion. Performance goals will include goals consistent with the Bank's business plan for the year, as approved by the Board.

In the event of a termination of Mr. Buster's employment for any reason or for no reason, he will be entitled to payment of any accrued but unpaid base salary, payment of any unreimbursed business expenses, and payment of any accrued but unpaid benefits in accordance with the terms of any applicable incentive bonus or employee benefit plan or program. In the event Mr. Buster's employment is terminated without "cause" or by Mr. Buster for "good reason" (as these terms are defined in the employment agreement), he will be entitled to receive severance compensation consisting of a lump sum payment in an amount equal to one year of his annual base salary then in effect. In the event of a termination of Mr. Buster's employment due to his permanent disability, he will be entitled to continued payment of his base salary and continuation of his medical and health care benefits for a period of six months following such termination of employment. In the event of a termination of Mr. Buster's employment due to his death, his estate will be entitled to receive accrued but unpaid salary, accrued but unused vacation time, and payment of benefits pursuant to any life insurance policy. In the event of a termination of Mr. Buster's employment for cause or due to the expiration of the term of his employment agreement, he will not be entitled to any severance benefits, but will be entitled to payment for any accrued but unused vacation time.

Mr. Buster receives an automobile allowance of \$1,250 per month to cover the costs to him of using his own automobile on Company and Bank business, including the costs of insurance, fuel and maintenance expenses. Mr. Buster is also reimbursed, in an amount not exceeding \$850 per month, for club membership dues and expenses and other reasonable entertainment costs that are business related.

Mr. Buster's employment agreement provides for the grant of options to purchase up to 400,000 shares of Company common stock, at a per-share exercise price equal to the fair market value of the Company's common stock on the applicable date of grant, pursuant to the terms of the Company's 2010 Equity Incentive Plan. These options will become exercisable in three equal annual installments, commencing on the first anniversary of the applicable grant date, subject to Mr. Buster's continued employment with the Company or the Bank through the applicable vesting date. The term of the options is ten years, subject to earlier termination in the event of a termination of Mr. Buster's employment with the Company or the Bank.

Mr. Buster is also entitled to participate in all employee benefit plans maintained by the Bank and made generally available to its senior executives, which may include life insurance, disability, health, accident and other insurance programs, in each case subject to terms and conditions and eligibility requirements of each such plan.

In the event Mr. Buster's benefits are subject to the excise tax imposed under Sections 280G and 4999 of the Tax Code (the "Tax Code"), his benefits will be reduced so that the maximum amount of the benefits (after reduction) will not be greater than an amount equal to 2.99 multiplied by his "base amount" for the "base period" (as those terms are defined under Section 280G of the Tax Code), such that his benefits will no longer be subject to such excise tax.

Compensation Paid and Payable to Mr. Stevens

Mr. Stevens has, since April 2014, been employed as the Executive Vice President and Chief Credit Officer of the Bank under a three year employment agreement. Under that agreement, Mr. Stevens is paid a base salary of \$300,000 per year and is eligible to participate in our management annual incentive plan for executives of the Bank. In the event that Mr. Stevens becomes temporarily or permanently disabled, he is entitled to receive payment of his base salary, reduced by any state disability insurance payments, for a period of six months from the disability.

Mr. Stevens' employment agreement also entitles him to receive a relocation allowance of up to \$50,000 for moving expenses incurred in relocating his principal residence from Arroyo Grande, California to Orange County, California. In the event of a termination of Mr. Stevens' employment for any reason or for no reason, he will be entitled to payment of any accrued but unpaid base salary, payment for any accrued and unused vacation, payment of any unreimbursed business expenses, and payment of any accrued but unpaid benefits in accordance with the terms of any applicable incentive bonus or employee benefit plan or program. In the event Mr. Stevens' employment is terminated within the first twelve months of his employment without "cause" or by Mr. Stevens for "good reason" (as these terms are defined in the employment agreement), he will be entitled to receive severance compensation consisting of a lump sum payment in an amount equal to one year of his annual base salary then in effect. In the event of a termination of

Mr. Stevens' employment due to his death, his estate will be entitled to receive accrued but unpaid salary, accrued but unused vacation time, and payment of benefits pursuant to any life insurance policy. In the event of a termination of Mr. Stevens' employment for cause or due to the expiration of the term of his employment agreement, he will not be entitled to any severance benefits, except benefits required to be provided under COBRA and payment for any accrued but unused vacation time as required by law. Mr. Stevens is also entitled to participate in our new Change in Control Severance Plan described below.

Mr. Stevens receives an automobile allowance of \$950 per month to cover the costs to him of using his own automobile on Company and Bank business, including the costs of insurance, fuel and maintenance expenses. Mr. Stevens is also reimbursed for all documented ordinary and necessary business expenses incurred in the performance of his duties for the Company and Bank.

Mr. Stevens' employment agreement provides for the grant of 25,000 shares of restricted Company common stock, pursuant to the terms of the Company's 2010 Equity Incentive Plan. These shares will become vested over a three year period commencing on April 15, 2014, the date the shares were granted.

Mr. Stevens is also entitled to participate in all employee benefit plans maintained by the Bank and made generally available to its executives, which may include life insurance, disability, health, accident and other insurance programs, in each case subject to terms and conditions and eligibility requirements of each such plan.

In the event Mr. Stevens' benefits are subject to the excise tax imposed under Sections 280G and 4999 of the Tax Code (the "Tax Code"), his benefits will be reduced so that the maximum amount of the benefits (after reduction) will not be greater than an amount equal to 2.99 multiplied by his "base amount" for the "base period" (as those terms are defined under Section 280G of the Tax Code), such that his benefits will no longer be subject to such excise tax.

Compensation Paid and Payable to Mr. Vertin.

Mr. Vertin has, since September 2012, been employed as the President of Commercial Banking at the Bank under a three year employment agreement. Under that agreement, Mr. Vertin is paid a base salary of \$350,000 per year and, commencing in 2013, he was eligible to participate in any bonus or incentive compensation programs adopted for senior executives of the Bank.

Mr. Vertin's employment may be terminated at any time without cause by the Company with 30 days prior written notice or by Mr. Vertin with 90 days prior written notice. Upon any such termination, he will be entitled to receive accrued but unpaid salary and accrued but unpaid vacation to the effective date of the termination. In the event of a termination of Mr. Vertin's employment due to his disability or death, he, or his estate (as the case may be), will be entitled to receive accrued but unpaid salary, at the rate in effect on the date of such termination of employment, any earned but unpaid bonus compensation, and accrued but unused vacation time.

Mr. Vertin is also entitled to participate in all employee benefit plans maintained by the Bank and made generally available to its senior executives, which may include life insurance, disability, health, accident and other insurance programs, in each case subject to terms and conditions and eligibility requirements of each such plan.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding the outstanding equity awards held by each of our named executive officers as of December 31, 2014, including the vesting dates for the portions of these awards that had not vested as of that date.

	Option Awards			Stock Awards		
	Number of Shares Underlying Unexercised Options (#) - Exercisable	Number of Shares Underlying Unexercised Options (#) - Unexercisable	Option Exercise Price (\$)	Option Expiration Dates	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Steven K. Buster	66,668	133,332	(1) \$6.24	9/3/2023	38,095	(2) \$268,189
Robert J. Stevens	—	—	\$—		25,000	(3) \$176,000
Thomas M. Vertin	66,667	33,333	(4) \$6.81	9/24/2022	—	\$—
	28,333	56,667	(5) \$6.24	9/3/2023	21,905	(5) \$154,211
	2,732	10,929	(6) \$6.18	3/7/2024	6,068	(7) \$42,719

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- (1) Stock options vest at a rate of 33.333% per year, until fully vested on September 3, 2016.
 - (2) Stock awards vest at a rate of 33.333% per year, until fully vested on November 1, 2016.
 - (3) Stock awards vest at a rate of 33.333% per year, until fully vested on April 15, 2017.
 - (4) Stock options vest at a rate of 33.333% per year, until fully vested on September 24, 2015.
 - (5) Stock options and stock awards vest at a rate of 33.333% per year, until fully vested on September 3, 2016.
 - (6) Stock options vest at a rate of 20.0% per year, until fully vested on March 7, 2019.
 - (7) Stock awards vest at a rate of 33.333% per year, until fully vested on March 7, 2017.

Equity Awards Granted in 2014

The “Stock Option Awards” column of the “Summary Compensation Table” above reflects the grant-date fair value (as determined for accounting purposes) of stock option awards granted to the named executive officers during the fiscal year ended December 31, 2014. Each of these awards was granted under the Company’s 2010 Equity Incentive Plan. The 2010 Equity Incentive Plan is administered by the Compensation Committee, which has authority to interpret the plan provisions and make all required determinations under the plan. Awards granted under the 2010 Equity Incentive Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution or pursuant to a domestic relations order in settlement of marital property rights. However, the Compensation Committee may provide that awards granted under the 2010 Equity Incentive Plan may be transferred without consideration to certain family members, provided that the award will remain subject to substantially the same terms applicable to the award prior to such transfer. At the Compensation Committee’s discretion, a particular award agreement may provide that the participant will have the right to designate a beneficiary who will be entitled to any rights, payments or other benefits specified under an award following the participant’s death.

During 2014, Mr. Vertin was granted stock options pursuant to the Company’s 2010 Equity Incentive Plan entitling him to purchase up to 13,661 shares of the Company’s common stock at an exercise price of \$6.18 per share, which is equal to the closing price of the Company’s shares on the NASDAQ Global Market on March 7, 2014, which was the date of grant. These options are scheduled to vest (become exercisable) in five approximately equal annual installments on March 7, 2015, 2016, 2017, 2018, and 2019, provided that Mr. Vertin is still in the Bank’s employ on the applicable vesting date. The term of the options is 10 years, subject to earlier termination in the event of a termination of Mr. Vertin’s employment.

During 2014, Mr. Stevens and Mr. Vertin were granted 25,000 and 6,068 shares of Company common stock, respectively, subject to a Restricted Stock Agreement. The right of the Company to cause Mr. Stevens and Mr. Vertin to forfeit those shares is released in three approximately equal installments upon completion of each of the first, second and third years of Continuous Service.

Defined Contribution Plan

As part of our overall compensation program, we provide all full-time employees, including our named executive officers, with the opportunity to participate in a defined contribution 401(k) plan. Our 401(k) plan is intended to qualify under Section 401 of the Internal Revenue Code so that employee contributions and income earned on such contributions are not taxable to employees until withdrawn. Employees may elect to defer a portion of their eligible compensation not to exceed the statutorily prescribed annual limit in the form of elective deferral contributions to our 401(k) plan. Our 401(k) plan also has a “catch-up contribution” feature for employees aged 50 or older (including those who qualify as “highly compensated” employees) who can defer amounts over the statutory limit that applies to all other employees. We also provide matching contributions of up to \$0.50 per \$1.00 of participant deferral up to a maximum per participant deferral amount equivalent to 6% of eligible compensation, with a maximum matching contribution of 3% of eligible compensation per participant per plan year. Our employees are allowed to participate in the 401(k) and to receive employer matching contributions on the first day of the calendar quarter following 90 days of employment. Participants are always vested in their personal contributions to the 401(k) plan, and company-matching contributions under the plan vest at a rate of 20% per year of service in which they work 1,000 or more hours.

Except as described above with respect to our 401(k) plan and with respect to a nonqualified retirement plan maintained for a former employee, we do not currently maintain any additional retirement plans, tax-qualified or nonqualified, for our executives or other employees.

Change in Control Severance Plan

On January 22, 2014, the Board adopted the Pacific Mercantile Bancorp Change in Control Severance Plan (the “Change in Control Severance Plan”). The purpose of the Change in Control Severance Plan is to promote the long-term financial interests of the Company and its shareholders by (i) providing key employees of the Company and its subsidiaries with assurances of fair and equitable treatment as well as severance benefits consistent with competitive practices in the event of a change in control of the Company and (ii) reducing the risk of departures and distractions of such employees in a change in control situation.

The participants under the Change in Control Severance Plan will include only those employees of the Company and its subsidiaries who are designated as such by the Board or the Compensation Committee. In addition, each participant will be required to execute a Participation Agreement under the Change in Control Severance Plan, pursuant to which he or she will acknowledge and agree, among other things, (i) to certain confidentiality and non-solicitation requirements; and (ii) that the Change in Control Severance Plan supersedes entirely any prior agreement, arrangement, plan or program (including, without limitation, the severance payments under the employment agreements described above) for the payment of severance, change in control, salary continuation or the provision of other benefits in connection with a “change in control” (as such term is defined in the Change in Control Severance Plan).

A participant will be eligible for benefits under the Change in Control Severance Plan if his or her employment is terminated either by the Company for any reason other than “cause” (as such term is defined in the Change in Control Severance Plan) or the

death or disability of the participant, or by the participant for “good reason” (as such term is defined in the Change in Control Severance Plan), during the period (a) commencing on the earlier of (i) the occurrence of a change in control and (ii) public announcement of an intended or anticipated change in control, provided that such change in control actually occurs; and (b) ending on the date one year following a change in control. The benefits under the Change in Control Severance Plan will include: (i) a lump sum payment equal to the participant’s monthly base salary multiplied by the “change in control benefits period” (as such term is defined in the Change in Control Severance Plan); (ii) a lump sum payment of a prorated annual bonus for the Change in Control Severance Plan year in which the termination occurs; (iii) a lump sum payment equal to the value of the participant’s monthly welfare benefits multiplied by the lesser of the change in control benefits period and 12 months; and (iv) certain outplacement services. The benefits are to be paid on the first regular payroll period following the sixtieth day after the effective date of the participant’s termination of employment.

In the event benefits under the Change in Control Plan, along with other payments to participants, are subject to the excise tax imposed under Sections 280G and 4999 of the Tax Code (the “Tax Code”), the benefits under the Change in Control Plan will be reduced so that the maximum amount of the participant's benefits under the Change in Control Plan (after reduction) will not be greater than an amount equal to 2.99 multiplied by the participant's “base amount” for the “base period” (as those terms are defined under Section 280G of the Tax Code), such that the participant's benefits under the Change in Control Plan will no longer be subject to such excise tax.

Modifications or amendments to, or termination of, the Change in Control Severance Plan can occur only in writing through official action of the Board or the Compensation Committee, or a designee of either. Any modifications or amendments to the Change in Control Severance Plan that adversely affect rights of participants in the Change in Control Severance Plan will not be effective until one year following the adoption of such modification or amendment. Following a change in control, the Change in Control Severance Plan cannot be modified, amended or terminated, or the eligibility of a participant revoked for one year following such change in control.

Messrs. Buster, Stevens, and Vertin are eligible to participate in the Change in Control Severance Plan, but have not entered into individual Participation Agreements specifying the level of benefits to be received, as of the date hereof.

Equity Compensation Plan Information

The following table provides information relating to the number of shares of our common stock that were exercisable pursuant to, and the weighted average exercise price of, the options that were outstanding under our employee stock incentive plans as of December 31, 2014. All of the plans were approved by the Company’s shareholders.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights ⁽¹⁾ (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column A) ⁽²⁾ (c)
Equity compensation plans approved by security holders ⁽¹⁾	1,257,390	\$ 6.51	796,733

Except for restricted stock awards (which are not required to be reflected in this table), the only equity incentives (1) granted under the plans have been stock options, each of which was granted at an exercise price equal to 100% of the closing price of the Company’s shares on the date of grant.

(2) These shares may be used for any types of awards authorized under our employee stock incentive plans.

Director Compensation

The following table sets forth the total compensation received by each of the Company's non-management directors for their service on the Board and Board committees in 2014. The compensation paid to Mr. Buster is presented in the "Summary Compensation Table" and accompanying disclosures above. Mr. Buster is not entitled to receive additional compensation for his service as a director.

Name of Director	Fees Earned or Paid in Cash	Option Awards ⁽³⁾	Total
Edward J. Carpenter	54,650	—	54,650
John W. Clark ⁽¹⁾	32,217	—	32,217
Warren T. Finley	38,500	—	38,500
John D. Flemming	29,333	—	29,333
Howard N. Gould	28,850	—	28,850
Michael P. Hoopis	29,717	—	29,717
Andrew M. Phillips ⁽²⁾	19,900	—	19,900
Daniel A. Strauss	27,450	—	27,450
John Thomas, M.D.	31,333	—	31,333
Stephen P. Yost	34,350	—	34,350

(1)Mr. Clark will not stand for re-election to the Board of Directors in May 2015.

(2)Mr. Phillips retired from his term of office as a director in August 2014.

As of December 31, 2014, our non-employee directors held stock options to purchase an aggregate number of shares of common stock as follows: Mr. Carpenter held stock options to purchase 0 shares of common stock; Mr. Clark held stock options to purchase 0 shares of common stock; Mr. Finley held stock options to purchase 40,000 shares of common stock; Mr. Flemming held stock options to purchase 0 shares of common stock; Mr. Gould held

(3)stock options to purchase 0 shares of common stock; Mr. Hoopis held stock options to purchase 0 shares of common stock; Mr. Phillips held stock options to purchase 0 shares of common stock; Mr. Strauss held stock options to purchase 2,500 shares of common stock; Dr. Thomas held stock options to purchase 27,000 shares of common stock; and Mr. Yost held stock options to purchase 0 shares of common stock. Except for the stock options listed above, no non-employee director held any other unvested stock awards as of December 31, 2014.

In 2014, the Chairman of the Board of Directors received a monthly retainer of \$3,542 and a fee of \$400 for each meeting of the Board of Directors of the Company or the Bank which he attended in 2014. The other directors who also served as directors of the Bank and as Chairman of either the Audit Committee or the Human Resources and Compensation Committee received a monthly retainer of \$2,300 and a fee of \$200 for each meeting of the Board of Directors of the Company or the Bank which he attended in 2014. Any member of the Company's Board of Directors who was also a member of the Bank's Board of Directors, but did not serve as a Chairman of any committee received a retainer of \$1,875 per month and a fee of \$200 for each Board meeting attended. Any member of the Company's Board of Directors who was not a member of the Bank's Board of Directors or Chairman of any Board Committees received a retainer of \$1,000 per month and a fee of \$200 for each Board meeting attended.

For service on the Audit Committee, its Chairman receives a fee of \$500 and the other members receive a fee of \$250 for each Audit Committee meeting attended. Members of any other Board Committee receive a fee of \$150 for each Committee meeting attended.

Non-management directors are, from time to time, granted stock options pursuant to the Company's shareholder-approved equity incentive plans. No non-management directors were granted stock options in 2014. Management directors do not receive any fees or other compensation for service as members of the Boards of Directors of the Company or the Bank.

Certain Transactions

In the ordinary course of our business, we conduct banking transactions with and make loans to and enter into loan commitments with members of our Board of Directors and certain of the businesses with which they are affiliated or associated. All such loans and loan commitments were made in accordance with applicable laws and government regulations and on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with persons of similar creditworthiness that are not affiliated with us and, when made, did not present any undue risk of collectability.

In August 2011, we entered into a Preferred Stock Purchase Agreement and a Common Stock Purchase Agreement with the Carpenter Funds and an affiliate of the Clinton Group pursuant to which they purchased a total of 112,000 of our Series B Shares at a price of \$100 per share in cash, generating aggregate gross proceeds to the Company of \$11.2 million.

Also in August 2011, we entered into an additional Preferred Stock Purchase Agreement with the Carpenter Funds and an affiliate of the Clinton Group pursuant to which they agreed, subject to the receipt of required regulatory approvals, to purchase \$10.8 million and \$1.0 million, respectively, of our Series B Shares at the same price and on the same terms as the Series B Shares sold in August 2011. On the same date, we also entered into a Common Stock Purchase Agreement with the Carpenter Funds pursuant to which they agreed, subject to the receipt of required regulatory approvals, to purchase \$15.5 million of shares of our common stock at a price of \$5.32 per share or, if greater, the book value per share of our common stock as last reported prior to the consummation of the sale of those shares of common stock to the Carpenter Funds.

On February 28, 2012, the additional Preferred Stock Purchase Agreement was terminated and the Common Stock Purchase Agreement was amended to (i) increase the dollar amount of the shares of common stock to be purchased by the Carpenter Funds to \$26.3 million, from \$15.5 million, and (ii) increase the purchase price to be paid by the Carpenter Funds for those shares to \$6.26 per share. The \$6.26 per share purchase price was equal to the book value per share of our common stock as of December 31, 2011 and represented a 45% premium over the per share closing price of our common stock on the NASDAQ Stock Market on February 28, 2012, which was the date on which we entered into the amended Common Stock Purchase Agreement. The terms of that Agreement were negotiated at arms-length and no officers or other affiliates of the Carpenter Funds were members of our Board of Directors when it approved the price of the shares and the other terms of that Agreement. On April 20, 2012, we completed the sale of the \$26.3 million of shares of our common stock by issuing a total of 4,201,278 shares of our common stock to the Carpenter Funds, at a price of \$6.26 per share in cash, in accordance with the terms of the Amended and Restated Common Stock Purchase Agreement. As a result of that sale, the Carpenter Funds became our largest shareholder, owning approximately 26% of our outstanding voting securities.

In connection with the above transactions, in April 2012, we sold to the Carpenter Funds and an affiliate of the Clinton Group stock purchase warrants to purchase up to 408,834 and 352,444 shares of our common stock, respectively, for an aggregate purchase price of \$51,105 and \$44,055, respectively. The exercise price of the warrants is \$6.26 per share and their exercise is subject to the satisfaction of certain specified conditions prior to the expiration of the four year term of the warrants.

We have also entered into Investor Rights Agreements with each of Carpenter Funds and Clinton Group pursuant to which, among other things, (i) the Carpenter Funds are entitled to designate three representatives to serve on our Board of Directors, and (ii) the Clinton Group is entitled to designate one representative to serve on our Board of Directors. The Carpenter Funds have designated Edward J. Carpenter, John D. Flemming and Michael P. Hoopis as their three representatives to the Board of Directors. Messrs. Carpenter and Flemming are co-managers of the Carpenter Funds' general partner and, therefore, are affiliates of the Carpenter Funds. Clinton Group has designated Daniel Strauss, a Senior Vice President of Clinton Group, as its representative to the Board of Directors.

Messrs. Carpenter, Flemming, Hoopis and Strauss were re-elected to the Board of Directors at the 2013 and 2014 Annual Meetings of Shareholders and, in accordance with the terms of the Investor Rights Agreements, the Board of Directors has nominated each such person for election to the Board of Directors at the upcoming Annual Meeting for an additional term ending on the date of the 2016 Annual Meeting of Shareholders.

Effective February 27, 2013, we entered into a Common Stock Purchase Agreement with the Carpenter Funds pursuant to which they agreed to purchase an additional 2,222,222 shares of our common stock, at a price of \$6.75 per share in cash, resulting in an aggregate purchase price of \$15 million. That per share purchase price represented a 13% premium over the \$5.95 closing price of the Company's common stock on February 26, 2013, the day before the effective date of the Stock Purchase Agreement. The terms of the sale of those shares, including the purchase price, were negotiated at arms-length, and were approved, by a special committee of our Board of Directors comprised solely of disinterested directors; that is, directors who had no affiliation with the Carpenter Funds and no financial interest in the sale of the shares to the Carpenter Funds. We consummated the sale of those shares effective as of

March 30, 2013. As a result of their purchase of those 2,222,222 shares of our common stock, the Carpenter Funds now own approximately 33% of the Company's outstanding voting shares and continue to be the Company's largest shareholder.

The Bank leases its headquarters offices and an office where it operates one of its financial centers from a limited partnership of which Mr. George Argyros, who served as a director of the Company from April 2010 to April 2014, is the majority equity owner and the Chief Executive Officer of its general partner. Those offices, which are leased under three different leases, are comprised of a total of approximately 37,300 rentable square feet. In 2014, we paid rents under the two headquarters office leases of \$55,772 and \$35,406 per month, respectively, and \$7,759 per month under the financial center lease. Those leases were renegotiated in February 2015. In 2013, we paid rents under the two headquarters office leases of \$50,510 and \$37,800 per month, respectively, and \$7,027 per month under the financial center lease. The rents and other material terms of the leases were negotiated at arms-length and approved by the directors of the Bank, after being fully informed of the financial interest of Mr. Argyros in the lease transactions. Since Mr. Argyros was not a director of the Bank, he did not participate in the deliberations of its Board of Directors with respect to and did not vote on approval of any of the leases.

REPORT OF THE AUDIT COMMITTEE

Role and Responsibilities of Audit Committee

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, internal controls and financial reporting process and the procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accounting firm, McGladrey LLP ("McGladrey"), is responsible for auditing the financial statements and for expressing an opinion as to whether the financial statements present fairly the consolidated financial position, results of operations, and cash flows of the Company in conformity with generally accepted accounting principles in the United States.

By contrast the Audit Committee's duty is one of oversight as set forth in its Charter. It is not the duty of the Audit Committee to prepare the financial statements, to plan or conduct audits, or to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles. The members of the Audit Committee are not professionally engaged in the practice of accounting and none of the Audit Committee members is, and none of them represents himself to be, performing the functions of auditors or accountants for the Company. Accordingly, the members of the Audit Committee may rely, and have relied, without independent verification, on the information provided to them and on the representations made by management and McGladrey. Additionally, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's 2014 financial statements was carried out in accordance with generally accepted auditing standards, that such financial statements are presented in accordance with generally accepted accounting principles or that the Company's auditors are in fact "independent."

Report of the Audit Committee

The following is the report of the Audit Committee with respect to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2014 (the "2014 financial statements").

The Audit Committee has reviewed and discussed the 2014 financial statements with management and McGladrey. In addition, the Audit Committee has discussed with McGladrey the matters required pursuant to Auditing Standard No. 16 (Communications with Audit Committees), the written disclosures and the letter from McGladrey required by applicable requirements of the Public Company Accounting Oversight Board regarding communications by McGladrey with the audit committee concerning independence and has discussed the independence disclosures and that letter with McGladrey and has considered the compatibility of any non-audit services performed for the Company by McGladrey on its independence. Based solely on the Audit Committee's review of these matters and its discussions with the Company's management and McGladrey, the Audit Committee recommended to the Board of Directors that the Company's 2014 financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for filing with the SEC.

Respectfully Submitted

The Audit Committee of the Board of Directors

John W. Clark, Chairman

Romir Bosu

Warren T. Finley

Denis Kalscheur

John Thomas, M.D.

Stephen P. Yost

Notwithstanding anything to the contrary set forth in the Company's previous filings under the Securities Act of 1933, as amended, or the Exchange Act, as amended, that might incorporate future filings, including this Proxy Statement, in whole or in part, the foregoing Report of the Audit Committee shall not be incorporated by reference into any such filings.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

McGladrey LLP (“McGladrey”) served as the Company’s independent registered public accountants during the fiscal year ended December 31, 2014, and, in that capacity, audited the Company’s consolidated financial statements, for the fiscal year ended December 31, 2014. A representative of McGladrey is expected to attend the Annual Meeting, and will be afforded an opportunity to make a statement and to respond to appropriate questions from shareholders.

Change in Independent Registered Public Accounting Firm

The Audit Committee conducted a comprehensive process to select the Company’s independent registered public accountants for the fiscal year ended December 31, 2014. The Audit Committee invited four national accounting firms to participate in this process. As a result of this process and following careful deliberation and approval by the Audit Committee, on April 2, 2014, the Company engaged McGladrey LLP as its independent registered public accounting firm for the fiscal year ended December 31, 2014.

During the fiscal years ended December 31, 2013 and December 31, 2012 and in the subsequent period through April 2, 2014, the date of McGladrey’s engagement, neither the Company nor anyone on its behalf consulted with McGladrey regarding any of the matters or events set forth in Item 304(a)(2)(i) or (ii) of Regulation S-K.

In connection with the engagement of McGladrey, on April 2, 2014, the Company dismissed Squar, Milner, Peterson, Miranda & Williamson, LLP (“Squar Milner”) as its independent registered public accounting firm. Squar Milner served as the Company’s independent registered public accountants during the fiscal year ended December 31, 2013, and, in that capacity, audited the Company’s consolidated financial statements for the fiscal year ended December 31, 2013. Squar Milner’s reports on the Company’s financial statements for the fiscal years ended December 31, 2013 and December 31, 2012 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2013 and December 31, 2012, and in the subsequent period through April 2, 2014, the date of Squar Milner’s dismissal, there were no disagreements with Squar Milner on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Squar Milner, would have caused Squar Milner to make reference to the subject matter of the disagreements in connection with their reports on our financial statements for such periods. There were no “reportable events” (as defined in Item 304(a)(1)(v) of Regulation S-K) during the fiscal years ended December 31, 2013 and December 31, 2012, or in the subsequent period through April 2, 2014.

The Company provided Squar Milner with a copy of the foregoing disclosures and requested that Squar Milner furnish the Company with a letter addressed to the SEC stating whether or not it agreed with the statements in the above paragraphs. Squar Milner’s letter to the SEC stating whether it agreed with such statements was filed as Exhibit 16.1 to the Company’s Current Report on Form 8-K, filed with the SEC on April 2, 2014.

Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee’s Charter provides that the Audit Committee must pre-approve all audit and non-audit services to be performed by the Company’s independent registered public accounting firm. In accordance with that requirement, the Audit Committee pre-approved the engagement of McGladrey pursuant to which it provided the services described below for the fiscal years ended December 31, 2014.

In addition, one-hundred percent (100%) of audit and non-audit services performed by McGladrey in fiscal year 2014 and by Squar Milner in fiscal year 2013 were pre-approved by the Audit Committee.

Audit and Other Fees Paid in Fiscal Years 2014 and 2013

McGladrey LLP

McGladrey performed the following services for the Company relating to the year ended December 31, 2014:

Audit Services Rendered by McGladrey. During the year ended December 31, 2014, McGladrey rendered audit services to us which consisted of: (i) an audit of the Company's consolidated financial statements for the year then ended, and (ii) reviews of the Company's quarterly financial statements that were included in our Quarterly Reports on Form 10-Q filed with the SEC for the first three quarters of the year, and (iii) an audit of the effectiveness of the Company's internal control over financial reporting as of December 31, 2014 pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended.

Audit Related Services Rendered by McGladrey. McGladrey did not render any audit related services to us during 2014.

Tax Related Services. During 2014, McGladrey provided tax related services to us which consisted of the preparation of our 2014 tax returns.

Other Services. McGladrey did not render any other professional or consulting services to us during 2014.

The following table contains information regarding the fees billed by McGladrey for the services it rendered to us in 2014.

	2014
Audit Fees	\$255,000
Audit-Related Fees	\$—
Tax Fees	\$30,000
Other Fees	\$—

Squar, Milner, Peterson, Miranda & Williamson, LLP

Squar Milner performed the following services for the Company relating to the year ended December 31, 2013:

Audit Services Rendered by Squar Milner. In the year ended December 31, 2013, Squar Milner rendered audit services to us which consisted of: (i) an audit of the Company's consolidated financial statements for the year then ended, and (ii) reviews of the Company's quarterly financial statements that were included in our Quarterly Reports on Form 10-Q filed with the SEC for the first three quarters of the year, and (iii) an audit of the effectiveness of the Bank's internal control over financial reporting as of December 31, 2013 pursuant to the Federal Deposit Insurance Corporation Improvement Act (known as "FDICIA").

Audit Related Services Rendered by Squar Milner. In 2013 audit related services rendered by Squar Milner consisted of an interim review of the Company's financial statements in connection with the filing by the Company of a Registration Statement on Form S-3 to register shares of its common stock with the SEC on behalf of certain selling security holders and the consent for the Form S-3 and a Registration Statement on Form S-8.

Tax Related Services. In 2013, Squar Milner provided tax advisory services to us in connection with an analysis of the effect of our sales of preferred stock and pending sales of common stock on our available tax loss carryforwards.

Other Services. Squar Milner did not render any other professional or consulting services to us during 2013.

The following table contains information regarding the fees billed by Squar Milner for the services it rendered to us in 2013.

	2013
Audit Fees	\$245,000
Audit-Related Fees	\$13,500
Tax Fees	\$1,500
Other Fees	\$—

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Proposal No. 2)

The Audit Committee of our Board of Directors has selected McGladrey LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2015. McGladrey LLP audited our consolidated financial statements for the fiscal year ended December 31, 2014. A representative of McGladrey LLP is expected to attend the Annual Meeting and will be afforded an opportunity to make a statement if he or she desires to do so and to respond to appropriate questions from shareholders in attendance at the Annual Meeting.

Proposal to Ratify Appointment of Independent Registered Public Accountants

A proposal will be presented at the Annual Meeting to ratify the Audit Committee's appointment of McGladrey LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015. Although ratification by shareholders is not a prerequisite to the power and authority of the Audit Committee to appoint McGladrey LLP as the Company's independent registered public accountants, the Audit Committee considers such ratification to be desirable. In the event of a negative vote on such ratification, the Audit Committee will reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the fiscal year if the Audit Committee deems such a change to be in the best interests of the Company and its shareholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE
"FOR" RATIFICATION OF THE APPOINTMENT OF MCGLADREY LLP AS OUR
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2015**

ADVISORY VOTE ON OUR NAMED EXECUTIVE OFFICER COMPENSATION

(Proposal No. 3)

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our shareholders to vote to approve, on an advisory (nonbinding) basis, our named executive officer compensation, which is described above in this Proxy Statement.

We are asking our shareholders to approve an advisory resolution on the Company's named executive officer compensation as reported in this Proxy Statement. The Compensation Committee has structured our named executive officer compensation program to enable the Company to achieve the following objectives:

- retain and attract key executives;
- pay for performance;
- align the interests of our executives with those of our shareholders; and
- provide incentives for our named executive officers to remain in the employ of the Company over multi-year periods and to focus on the longer term performance of the Company.

We believe that our named executive officer compensation program has fostered this success by:

- providing for multi-year vesting provisions for our equity awards; and
- making a substantial portion of the non-equity incentives granted to our named executive officers dependent on the Company's financial performance.

We urge shareholders to carefully read the "Compensation Paid to Named Executive Officers" section of this Proxy Statement, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement that follow it. The Board and the Compensation Committee believe that the compensation policies and practices described in this Proxy Statement have been effective in achieving our compensation objectives.

Therefore, in accordance with section 14A of the Securities Exchange Act, and as a matter of good corporate governance, we are asking our shareholders to approve the following advisory resolution at the Annual Meeting: "RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as described in the "Compensation Paid to Named Executive Officers" section of this Proxy Statement, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company's 2015 Annual Meeting of Shareholders."

Because this vote is advisory, it will not be binding on the Board of Directors or the Compensation Committee. However, the Compensation Committee will give serious consideration to the outcome of the vote when establishing executive compensation programs in the future. The Company's current policy is to provide shareholders with an opportunity to vote on the compensation of the named executive officers each year at the annual meeting of shareholders. It is expected that the next such vote will occur at the 2016 annual meeting of shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL NO. 3 TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT

SOLICITATION

We will pay the costs of soliciting proxies from our shareholders, and plan on soliciting proxies by mail. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In order to ensure adequate representation at the Annual Meeting, our directors, officers and employees and those of the Bank may, without additional compensation therefor, communicate with shareholders, brokerage houses and others by telephone, email, facsimile or in person, to request that proxies be furnished. We also may retain a proxy solicitation firm to serve as a proxy solicitor for us at a fee that we expect will not exceed \$10,000, plus reimbursement of its out-of-pocket expenses. If retained, such firm may solicit proxies via personal interview, telephone, facsimile, email and mail. We will reimburse brokerage houses, banks, custodians, nominees and fiduciaries for their reasonable expenses in forwarding proxy materials to the beneficial owners of the Company's shares.

SHAREHOLDER PROPOSALS

Under Exchange Act Rule 14a-8, any shareholder desiring to submit a proposal for inclusion in our proxy materials for our 2016 Annual Meeting of Shareholders must provide the Company with a written copy of that proposal by no later than December 17, 2015, which is the 120th day before the first anniversary of the date on which the Company's proxy materials for 2015 Annual Meeting are being released. However, if the date of our Annual Meeting in 2016 changes by more than 30 days from the date of our 2015 Annual Meeting, then the deadline would be a reasonable time before we begin to print and mail our proxy materials for our 2016 Annual Meeting of Shareholders. Matters pertaining to such proposals, including the number and length thereof, eligibility of persons entitled to have such proposals included and other aspects are governed by the Exchange Act, and the rules of the SEC thereunder and other laws and regulations to which interested shareholders should refer.

In accordance with the advance notice requirements contained in Article II, Section 11 of the Bylaws, a shareholder who proposes to bring business before, or make nominations of persons for election to the Board of Directors at, the 2016 Annual Meeting of Shareholders but who does not desire to have the proposal included in the proxy materials we distribute must deliver written notice to the Company's Secretary not earlier than the close of business on January 20, 2016 and not later than the close of business on February 19, 2016. Notwithstanding the foregoing, in the event that we change the date of the 2016 Annual Meeting of Shareholders to a date that is more than thirty days before or more than sixty days after the anniversary of our Annual Meeting, written notice by a shareholder must be delivered not earlier than the close of business on the one hundred twentieth day prior to the 2016 Annual Meeting of Shareholders and not later than the close of business on the later of the ninetieth day prior to such meeting or the tenth day following the day on which the public announcement of the date of such meeting is first made by the Company. A shareholder's written notice must include certain information concerning the shareholder and each nominee or proposal, as specified in Article II, Section 11 of the Bylaws, and otherwise comply with the requirements of that Section. Shareholder proposals or nominations for directors that do not meet the notice requirements set forth above and further described in Article II, Section 11 of our Bylaws will not be acted upon at the 2016 Annual Meeting of Shareholders.

Nominations and shareholder proposals, as well as requests for a copy of the Company's Bylaws (which will be furnished to any shareholder without charge upon written request), should be directed to Robert E. Sjogren, Secretary, 949 South Coast Drive, 3rd Floor, Costa Mesa, California 92626.

OTHER MATTERS

We are not aware of any other matters to come before the meeting. If any other matter not mentioned in this Proxy Statement is properly brought before the meeting, the proxy holders named in the enclosed proxy card will have discretionary authority to vote all proxies with respect thereto in accordance with their judgment. Discretionary authority with respect to such other matters is granted by the execution of the proxy, whether you vote by telephone, on the Internet or return your proxy card by mail.

By Order of the Board of Directors

Edward J. Carpenter
Chairman of the Board of Directors
April 15, 2015

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A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, is being mailed concurrently with this Proxy Statement to all shareholders of record as of April 1, 2015. The Annual Report is not to be regarded as proxy soliciting material or as a communication by means of which any solicitation is to be made. ADDITIONAL COPIES OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014 WILL BE PROVIDED (WITHOUT EXHIBITS) TO SHAREHOLDERS, WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE CORPORATE SECRETARY, PACIFIC MERCANTILE BANCORP, 949 SOUTH COAST DRIVE, THIRD FLOOR, COSTA MESA, CALIFORNIA 92626.

IMPORTANT ANNUAL MEETING INFORMATION

Using a black ink pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas.

Annual Meeting Proxy Card

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

A Proposals — The Board of Directors recommends a vote “FOR” all of the nominees listed below, “FOR” Proposals 2 and 3.

1. To elect the following eleven nominees to serve as the Company's directors until the 2016 Annual Meeting of Shareholders and until their successors are elected and qualify.

- | | | | |
|-----------------------|----------------------|-------------------------|----------------------|
| 01- Steven K. Buster | 02- Romir Bosu | 03- Edward J. Carpenter | 04- Warren T. Finley |
| 05- John D. Flemming | 06- Howard N. Gould | 07- Michael P. Hoopis | 08- Denis Kalscheur |
| 09- Daniel A. Strauss | 10- John Thomas M.D. | 11- Stephen P. Yost | |

Mark here to vote FOR all nominees

Mark here to WITHHOLD vote from all nominees

For All EXCEPT - To withhold authority to vote for any nominee(s), write the name(s) of such nominee(s) below.

For AgainstAbstain

For AgainstAbstain

2. To ratify the appointment of Independent Registered Public Accountants for fiscal 2015.

3. To approve, by a non-binding advisory vote, the compensation of our named executive officers, as described in the Proxy Statement.

B Authorized Signatures - This section must be completed for your vote to be counted. - Date and Sign Below Please sign your name exactly as it appears on this Proxy. Executors, administrators, guardians, officers of corporations and others signing in fiduciary capacities should state their titles as such.

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Date (mm/dd/yyyy) - Please print
date below.

Signature 1 - Please keep signature within
the box.

Signature 2 - Please keep signature
within the box.

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proxy — PACIFIC MERCANTILE BANCORP

ANNUAL MEETING OF SHAREHOLDERS - May 20, 2015

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby revokes all previously granted proxies of the undersigned with respect to the shares of stock of Pacific Mercantile Bancorp which the undersigned is entitled to vote (“voting stock”); and the undersigned does hereby appoint Edward J. Carpenter, Warren Finley and Robert E. Sjogren, and each of them individually, with full power of substitution, as the attorneys and proxies of the undersigned, to represent the undersigned and to vote as indicated below all the shares of voting stock of Pacific Mercantile Bancorp which the undersigned is entitled to vote, at the Annual Meeting of Shareholders to be held at the The Westin South Coast Plaza, 686 Anton Boulevard, Costa Mesa, California 92626, on Wednesday, May 20, 2015, at 2:00 P.M. Pacific Time, and at any and all adjournments or postponements of the Annual Meeting.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER BELOW. IF NO DIRECTION IS GIVEN, YOUR SHARES WILL BE VOTED “FOR” THE ELECTION TO THE BOARD OF DIRECTORS OF ALL OF THE NOMINEES NAMED ON THIS PROXY, “FOR” RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AND “FOR” APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF OUR NAMED EXECUTIVE OFFICER COMPENSATION. THIS PROXY CONFERS DISCRETIONARY AUTHORITY TO CUMULATE VOTES FOR ANY OR ALL OF THE NOMINEES FOR ELECTION OF DIRECTORS FOR WHOM AUTHORITY TO VOTE HAS NOT BEEN WITHHELD AND TO VOTE ON ALL OTHER MATTERS THAT MAY PROPERLY BE PRESENTED FOR A VOTE OF THE SHAREHOLDERS AT THE ANNUAL MEETING.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO VOTE YOUR SHARES BY TELEPHONE OR VIA THE INTERNET OR BY SIGNING AND RETURNING THIS PROXY BY MAIL, NONE OF WHICH WILL PREVENT YOU FROM CHANGING YOUR VOTE OR REVOKING YOUR PROXY OR ATTENDING THE MEETING AND VOTING IN PERSON.

IN THEIR DISCRETION, ON ANY OTHER BUSINESS WHICH PROPERLY COMES BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF.

IMPORTANT - PLEASE SIGN AND DATE THIS PROXY WHERE INDICATED AND RETURN PROMPTLY