

HERITAGE COMMERCE CORP
Form S-4/A
April 26, 2007

As filed with the Securities and Exchange Commission on April 26, 2007

Registration No. 333-142035

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to Form S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Heritage Commerce Corp

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction
of incorporation)

6021
(Primary Standard Industrial
Classification Code Number)

77-0469558
(I.R.S. Employer
Identification No.)

Heritage Commerce Corp
150 Almaden Boulevard
San Jose, California 95113
(408) 947-6900

(Address, including Zip Code, and Telephone Number,
including Area Code, of Registrant's Principal Executive Offices)

Lawrence D. McGovern,
Executive Vice President and Chief Financial Officer
Heritage Commerce Corp
150 Almaden Boulevard
San Jose, California 95113
(408) 947-6900

(Name, Address, including Zip Code, and Telephone Number,
including Area Code, of Agent for Service)

With copies to:

Mark A. Bonenfant, Esq.
Buchalter Nemer
a professional corporation
1000 Wilshire Blvd, 15th Floor
Los Angeles, California 90017

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Bingham McCutchen, LLP
3 Embarcadero Center
San Francisco, California 94111

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY SUBJECT TO COMPLETION DATED APRIL 26, 2007

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Shareholder,

On February 8, 2007, Diablo Valley Bank entered into an agreement and plan of merger with Heritage Commerce Corp and Heritage Bank of Commerce pursuant to which Diablo Valley Bank will merge with and into Heritage Bank of Commerce, with Heritage Bank of Commerce as the surviving corporation in the merger. You are cordially invited to attend a special meeting of the shareholders of Diablo Valley Bank on [*] at 5:30 p.m., local time, at 387 Diablo Road, Danville, California 94526 to vote on approval of the merger. We are sending you this proxy statement/prospectus to ask you to vote on the approval of the merger at the special meeting.

If the merger is completed, Diablo Valley Bank common stock shareholders may elect to receive cash or Heritage Commerce Corp common stock in exchange for their shares of Diablo Valley Bank common stock, subject to certain limitations described in this document. The value you receive in exchange for your Diablo Valley Bank common stock is dependent on the *per share consideration*. The *per share consideration* is calculated by reference to the Heritage Commerce Corp common stock average closing price over a 20 day trading period that ends on the 5th business day before the effective date of the merger. The *per share consideration*, however, will never be less than \$23.00, and depending on the average trading price of the Heritage Commerce Corp common stock, the *per share consideration* could be higher than \$23.00. Based on the Heritage Commerce Corp closing sale price on [*], 2007 (the last practicable date before this document was mailed) of \$[*], you would receive \$[*] in value for each share of Diablo Valley Bank common stock. The *per share consideration* will float within a band of \$23.00 to \$25.00 if the average closing price is between \$24.55 and \$27.44. If the average closing price is above \$27.44, the *per share consideration* will be increased to reflect one-third of the increase in the average closing price above \$27.44. If the average closing price is below \$24.55, the aggregate amount of cash paid in the merger will be increased to an amount necessary to maintain a minimum *per share consideration* of \$23.00. If the average closing price falls below \$23.50, Heritage Commerce Corp has the right to terminate the merger.

Subject to the allocation provisions of the merger agreement, you may elect to receive all cash or all Heritage Commerce Corp common stock for the Diablo Valley Bank shares you own.

- If you elect cash, the amount you receive per share will be equal to the *per share consideration*.
- If you elect Heritage Commerce Corp common stock, the number of shares that you will receive will be equal to the number of your Diablo Valley Bank shares multiplied by an *exchange ratio*. The *exchange ratio* will be calculated by dividing the *per share consideration* by the *average closing price*. To the extent that the formula results in a fraction of a share, such fraction will not be issued but you will receive cash in lieu of such fractional interest.

The market prices of Heritage Commerce Corp common stock and Diablo Valley Bank common stock will fluctuate before the merger. You should obtain current stock price quotations for Heritage Commerce Corp common stock and Diablo Valley Bank common stock. Heritage Commerce Corp common stock is quoted on the NASDAQ Global Select Market under the symbol HTBK. Diablo Valley Bank common stock is quoted on the Over-the-Counter Bulletin Board under the symbol DBVB.

We expect that the merger will generally be tax-free to you as to shares of Heritage Commerce Corp common stock you receive in the merger and generally taxable to you as to the cash you receive.

It is a condition to the merger that the holders of Diablo Valley Bank's series A preferred stock will have their shares of series A preferred stock redeemed by Diablo Valley Bank for \$32.00 per share in cash prior to the merger.

We cannot complete the merger unless Diablo Valley Bank's common shareholders and holders of the series A preferred stock approve the merger. In order for the merger to be approved, the holders of at least a majority of Diablo Valley Bank's outstanding common shares and series A preferred shares, each voting as a separate class, must vote in favor of the merger. The members of the Board of Directors of Diablo Valley Bank, who in the aggregate have the power to vote approximately 17% of the outstanding shares of Diablo Valley Bank common stock (excluding the effect of exercisable options) and 19% of the outstanding series A preferred stock, have each executed voting agreements with Heritage Commerce Corp pursuant to which they have agreed to vote their shares of Diablo Valley Bank common stock in favor of the merger and against any competing business combination transaction. Regardless of whether you plan to attend the special shareholders' meeting, please take the time to vote your shares in accordance with the instructions contained in this document. Failing to vote will have the same effect as voting against the merger. The Diablo Valley Bank Board of Directors recommends that Diablo Valley Bank shareholders vote **FOR** approval of the merger.

Also enclosed is an election form and instructions for electing your preferred form of merger consideration and exchanging your shares of Diablo Valley Bank common stock for shares of Heritage Commerce Corp and any cash payments you may be entitled to receive. Please complete and return your election form together with your Diablo stock certificates in the separate BLUE envelope that is provided for that purpose. If you hold your shares in street name through a bank or broker, you should follow instructions from your bank or broker to vote your shares, complete the required election and transmittal materials and submit your shares in exchange for the merger consideration.

This document describes the special meeting, the merger, the documents related to the merger and other related matters. Please carefully read this entire document, including the Risk Factors section beginning on page 20 for a discussion of the risks relating to the proposed merger. You also can obtain information about Heritage Commerce Corp from documents that it has filed with the Securities and Exchange Commission.

John J. Hounslow

*Chairman of the Board
Diablo Valley Bank*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Heritage Commerce Corp common stock to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this document is [*], 2007, and it is first being mailed or otherwise delivered to Diablo Valley Bank shareholders on or about May 14.

DIABLO VALLEY BANK
387 Diablo Road
Danville, California 94526

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Diablo Valley Bank will hold a special meeting of shareholders at 387 Diablo Road, Danville, California 94526 at 5:30p.m., local time on June 13, 2007 to consider and vote upon the following proposals:

- to approve the merger of Diablo Valley Bank with and into Heritage Bank of Commerce, a wholly-owned subsidiary of Heritage Commerce Corp, on the terms set forth in the Agreement and Plan of Merger, dated as of February 8, 2007, by and between Heritage Commerce Corp, Heritage Bank of Commerce and Diablo Valley Bank, as it may be amended from time to time; and
- to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the merger.

The Diablo Valley Bank Board of Directors has fixed the close of business on April 27, 2007 as the record date for the special meeting. Only holders of Diablo Valley Bank common stock and series A preferred stock of record at that time are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.

In order for the merger to be approved, the holders of at least a majority of the Diablo Valley Bank common stock and of the series A preferred stock outstanding and entitled to vote thereon must vote in favor of approval of the merger.

Regardless of whether you plan to attend the special meeting, please submit your proxy with voting instructions. Please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed WHITE self-addressed, stamped envelope (or vote by telephone or internet in accordance with instructions on your proxy card). If you hold your stock in street name through a bank or broker, please direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of Diablo Valley Bank common stock or series A preferred stock who is present at the special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before the special meeting in the manner described in the accompanying document.

Holders of Diablo Valley Bank common stock who do not vote in favor of approving the merger agreement and who otherwise comply with the requirements of California law will be entitled to appraisal rights. A summary of the applicable California law provision, including the requirements a Diablo Valley Bank shareholder must follow in order to exercise his or her appraisal rights, is contained in the accompanying proxy statement/prospectus. A copy of the California law provision relating to appraisal rights is attached as Appendix C to the proxy statement/prospectus.

The Diablo Valley Bank Board of Directors has approved the merger and the merger agreement and recommends that Diablo Valley Bank shareholders vote FOR approval of the merger.

YOUR VOTE IS IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD.

BY ORDER OF THE BOARD OF DIRECTORS,

Alfred D. McKelvy, Jr., Corporate Secretary
[*], 2007

REFERENCES TO ADDITIONAL INFORMATION

This document, which is sometimes referred to as this proxy statement/prospectus, constitutes a proxy statement of Diablo Valley Bank to Diablo Valley Bank shareholders with respect to the solicitation of proxies for the special meeting described within and a prospectus of Heritage Commerce Corp for the shares of Heritage Commerce Corp common stock that Heritage Commerce Corp will issue to Diablo Valley Bank shareholders in the merger. This document incorporates important business and financial information about Heritage Commerce Corp from documents filed with the Securities and Exchange Commission (the SEC) that are not included in or delivered with this document. You may obtain copies of these documents, without charge, from the web site maintained by the SEC at www.sec.gov, as well as other sources. See

Where You Can Find More Information beginning on page 94. You can also obtain documents incorporated by reference in this document, other than certain exhibits to those documents, by requesting them in writing or by telephone from Heritage Commerce Corp at the following address:

Heritage Commerce Corp
150 Almaden Boulevard
San Jose, California 95113
Attention: Corporate Secretary
(408) 947-6900

You will not be charged for any of these documents that you request. Diablo Valley Bank shareholders requesting documents should do so by May 31, 2007 in order to receive them before the special meeting.

See Where You Can Find More Information on page 94.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The questions and answers below highlight only selected procedural information from this document. They do not contain all of the information that may be important to you. You should read carefully the entire document and the additional documents incorporated by reference into this document to fully understand the voting procedures for the special meeting.

Q: What is the proposed transaction for which I am being asked to vote?

A: You are being asked to vote to adopt an Agreement and Plan of Merger, dated as of February 8, 2007, by and between Heritage Commerce Corp, Heritage Bank of Commerce and Diablo Valley Bank. Subject to the terms and conditions of the merger agreement, Diablo Valley Bank would merge with and into Heritage Bank of Commerce, a wholly-owned subsidiary of Heritage Commerce Corp, as the surviving corporation in the merger.

You are also being asked to give the proxyholders the authority to approve an adjournment of the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the proposed merger.

Q: When and where is the special meeting?

A: The special meeting is scheduled to take place at 387 Diablo Road, Danville, California 94526 at 5:30p.m., local time on June 13, 2007.

Q: What do I need to do now?

A: After you have carefully read this document and have decided how you wish to vote your shares, please vote your shares promptly. If you hold stock in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage paid return **WHITE** envelope as soon as possible (or vote by telephone or internet in accordance with instructions on your proxy card). If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy card or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the special meeting.

You should also complete the election form and transmittal materials that accompany this proxy statement/prospectus to specify the merger consideration you prefer (or provide instructions to your broker if you hold your shares in street name) and mail and enclose the election form and transmittal materials in the **BLUE** envelope. To submit your Diablo Valley Bank share certificates for exchange, you should follow the instructions in the election form and transmittal materials.

Q: What vote is required to approve the merger agreement?

A: The merger agreement must be approved by the holders of a majority of the outstanding shares of Diablo Valley Bank common stock entitled to vote at the special meeting and by the holders of a majority of the series A preferred stock, each voting as a separate class. This means that if either the common stock shareholders as a class do not vote to approve the merger or the series A preferred shareholders as a class do not vote to approve the merger then the merger will not go forward. The Diablo Valley Bank Board of Directors recommends that you vote **FOR** approval of the merger. The members of the Board of Directors of Diablo Valley Bank, who in the aggregate have the power to vote approximately 17% of the outstanding shares of Diablo Valley Bank common stock (excluding the effect of exercisable options) and 19% of the outstanding shares of series A preferred stock, have each executed voting agreements with Heritage Commerce Corp pursuant to which they have agreed to vote their shares of Diablo Valley Bank common stock in favor of the merger and against any competing business combination transaction.

Q: If my shares of common stock are held in street name by my broker, will my broker automatically vote my shares for me?

A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

Q: What if I fail to instruct my broker?

A: If you do not provide your broker with instructions, your broker generally will not be permitted to vote your shares on the merger proposal being presented at the special meeting. Because the approval of the merger requires the affirmative vote of the holders of a majority of the outstanding shares of Diablo Valley Bank common stock and the series A preferred stock, a failure to provide your broker instructions will have the same effect as a vote against the merger.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. All shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Holders of record of Diablo Valley Bank common stock or series A preferred stock can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted.

Q: Can I change my vote?

A: Yes. You may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to the Secretary of Diablo Valley Bank, or (3) attending the special meeting in person, notifying the Secretary and voting by ballot at the special meeting. The Diablo Valley Bank Secretary's mailing address is 387 Diablo Road, Danville, California, 94526.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy but the mere presence (without notifying the Secretary of Diablo Valley Bank) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Q: Am I certain to receive the form of merger consideration that I elect for my common stock?

A: No. The merger agreement provides that the total Diablo Valley Bank shares of common stock outstanding immediately prior to completion of the merger will be converted into total of \$15,012,876 cash and 1,732,298 shares of Heritage Commerce Corp common stock, (subject to adjustment based on the average closing price of the Heritage Commerce Corp common stock over the 20 trading days ending on the fifth trading day immediately before the effective date of the merger). As a result, if more common stock shareholders elect to receive either form of consideration than is available under the merger agreement, shareholders electing the over-subscribed form of consideration will have their elections proportionately reduced and will receive a portion of their consideration in the other form of consideration, despite their election. This mechanism is more fully described in this proxy statement/prospectus under the caption "The Merger Agreement Merger Consideration" beginning on page 42.

Q: If I own series A preferred stock will I participate in the merger consideration?

A: No. It is a condition to the merger that holders of series A preferred stock will have their shares repurchased by Diablo Valley Bank for \$32.00 cash prior to the merger.

Q: What do I need to do to receive the merger consideration for my common stock?

A: You will need to sign, date and complete the election form and transmittal materials that accompany this proxy statement/prospectus and submit them in the enclosed **BLUE** envelope to the exchange agent, U.S. Stock Transfer Corporation, at the address given in the materials, together with the certificates representing your shares of Diablo Valley Bank common stock prior to the election deadline. The election deadline will be 5:00 p.m. San Francisco, California time one business day immediately preceding the date of the special meeting, and will be separately announced at least five business days, and not more than fifteen business days, prior to the deadline. If you do not submit an election prior to the election deadline, you will be allocated Heritage Commerce Corp common stock and/or cash pursuant to the procedures described under The Merger Agreement Merger Consideration beginning on page 42. If your shares are held in street name you will have to provide instructions to your broker to make an election. If you do not make an election, you will receive separate instructions for submitting your Diablo Valley Bank common stock certificates in exchange for the merger consideration following completion of the merger.

Q: What do I need to do to receive my cash for my series A preferred stock?

A: Diablo Valley Bank will send a notice of redemption of preferred stock at least 30 days before the redemption date. The notice will include instructions for surrendering your shares for redemption.

Q: What must I do if I want to seek appraisal rights because I do not want to receive the merger consideration?

A: Holders of Diablo Valley Bank common stock will have appraisal rights as a result of the proposed merger. If you are a holder of Diablo Valley Bank common stock and wish to dissent from the merger and seek an appraisal of the value of your Diablo Valley Bank common shares you must follow the procedures established under California law, including:

- not voting in favor of the merger,
- delivery of notice of demand for appraisal within 30 days after Diablo Valley Bank mails notice of approval of the merger after the special shareholder meeting, and
- delivery of your common shares to Diablo Valley Bank stock within 30 days after Diablo Valley Bank mails notice of approval of the merger.

These procedures are described in Appendix C of this document and are summarized on pages C-1 to C-3. Failure to follow the applicable procedures will result in the loss of appraisal rights.

Q: Can I change my election after I submit my certificates?

A: Yes. You can revoke your election and submit new election materials prior to the election deadline. You may do so by submitting a written notice to the exchange agent that is received prior to the election deadline. The revocation must specify the account name and such other information as the exchange agent may request; revocations may not be made in part. New elections must be submitted in accordance with the election procedures described in

this proxy statement/prospectus. If you instructed a broker to submit an election for your shares, you must follow your broker's directions for changing those instructions.

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Q: When do you expect to complete the merger?

A: We expect to complete the merger in the second or third quarter of 2007. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of Diablo Valley Bank shareholders at the special meeting and the necessary regulatory approvals.

Q: Will I be able to sell the shares of Heritage Commerce Corp common stock that I receive in the merger?

A: Yes, in most cases. The shares of Heritage Commerce Corp common stock to be issued in the merger will be registered under the Securities Act of 1933, as amended (which we refer to as the Securities Act), and listed on the NASDAQ Global Select Market. However, certain shareholders who are deemed to be affiliates of Heritage Commerce Corp or Diablo Valley Bank under the Securities Act (generally, directors, executive officers and shareholders of Heritage Commerce Corp or Diablo Valley Bank holding more than 10% of the outstanding shares of common stock) must abide by certain transfer restrictions under the Securities Act.

Q: What if I do not vote or I abstain from voting?

A: If you do not vote or you abstain from voting, your failure to vote or abstention will have the effect of a vote against the items being considered.

Q: What happens if I sell my shares of Diablo Valley Bank common stock before the special meeting?

A: The record date for the special meeting is April 27, 2007, which is earlier than the date of the special meeting. If you hold your shares of Diablo Valley Bank common stock on the record date you will retain your right to vote at the special meeting. If you transfer your shares of Diablo Valley Bank common stock after the record date but prior to the date on which the merger is completed, you will lose the right to receive the merger consideration for shares of Diablo Valley Bank common stock and any dividends that have a record date after the date on which you transfer your shares. The right to receive the merger consideration will pass to the person who owns your shares of Diablo Valley Bank common stock when the merger is completed.

Q: What will happen to my Diablo Valley Bank shares after completion of the merger?

A: Upon completion of the merger, your shares of Diablo Valley Bank common stock will be canceled and will represent only the right to receive your portion of the merger consideration (or the fair value of your Diablo Valley Bank common stock if you seek appraisal rights) and any declared but unpaid dividends that you may be owed.

Q: Whom should I call with questions?

A: Diablo Valley Bank shareholders should call John J. Hounslow at 925-314-2801 with any questions about the merger.

SUMMARY

*This summary highlights selected information from this document. It does not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer in order to fully understand the merger and the related transactions. See *Where You Can Find More Information* on page 94. Each item in this summary refers to the page of this document on which that subject is discussed in more detail.*

Information about the Companies

Heritage Commerce Corp

Heritage Commerce Corp is registered with the Board of Governors of the Federal Reserve System as a Bank Holding Company under the Bank Holding Company Act (BHCA). Heritage Commerce Corp was organized in 1997 to be the holding company for Heritage Bank of Commerce. Subsequent to 1997, Heritage Commerce Corp became the holding company for Heritage Bank East Bay (HBEB); Heritage Bank South Valley (HBSV) and Bank of Los Altos (BLA). On January 1, 2003, HBEB, HBSV, and BLA were merged into Heritage Bank of Commerce. The former HBEB, HBSV, and BLA now operate as branch offices of Heritage Bank of Commerce and continue to serve their local markets. Heritage Commerce Corp's principal source of income is dividends from Heritage Bank of Commerce. The expenditures of Heritage Commerce Corp, including (but not limited to) the payment of dividends to shareholders, if and when declared by the Board of Directors, the cost of servicing debt, legal fees, audit fees, and shareholder costs will generally be paid from dividends paid to Heritage Commerce Corp by Heritage Bank of Commerce. At December 31, 2006, Heritage Commerce Corp had consolidated assets of \$1.04 billion, deposits of \$847 million and shareholders' equity of \$123 million. Heritage Commerce Corp common stock is listed on the NASDAQ Global Select Market.

Heritage Bank of Commerce

Heritage Bank of Commerce is a California state-chartered bank headquartered in San Jose, California. It was incorporated in November 1993 and opened for business in January 1994. Heritage Bank of Commerce is a multi-community independent bank that offers a full range of banking services to small to medium sized businesses and their owners, managers and employees residing in Santa Clara, Alameda and Contra Costa counties in California. Heritage Bank of Commerce operates nine full service branch offices throughout this geographic footprint.

The principal executive offices of Heritage Commerce Corp and Heritage Bank of Commerce are located at 150 Almaden Boulevard, San Jose, California 95113.

Diablo Valley Bank

Diablo Valley Bank is a California state-chartered bank. Diablo Valley Bank operates two offices located at 387 Diablo Road, Danville, California and 300 Main Street, Pleasanton, California. At December 31, 2006, Diablo Valley Bank had total assets of approximately \$249 million, total deposits of approximately \$224 million and total shareholders' equity of approximately \$24.1 million. Diablo Valley Bank common stock is quoted on the Over-the-Counter Bulletin Board. Diablo Valley Bank's principal executive offices are located at 387 Diablo Road in Danville.

The Merger and the Merger Consideration (page 42)

We are proposing the merger of Diablo Valley Bank with and into Heritage Bank of Commerce, a wholly-owned subsidiary of Heritage Commerce Corp. Heritage Bank of Commerce will survive the merger. As used in this document, the term *the merger* means the merger of Diablo Valley Bank with and into Heritage Bank of Commerce. The merger is governed by the Agreement of Plan and Merger

dated February 8, 2007. A copy of the merger agreement is attached as Appendix A at the back of this proxy statement/prospectus. You are encouraged to read this merger agreement, which is the legal document that governs the merger.

The value that you will receive in exchange for your Diablo Valley Bank common stock is dependent on the *per share consideration* which will be calculated with reference to the average closing price for the Heritage Commerce Corp common stock. *Average closing price* means the average daily closing price of Heritage Commerce Corp common stock during the 20 trading days ending on the fifth trading day immediately before the effective date of the merger.

- *Per share consideration* means:

(i) If the *average closing price* is less than or equal to \$24.55,

then the *per share consideration* is \$23.00

(ii) If the *average closing price* exceeds \$24.55,

then the *per share consideration* will be an amount of the quotient equal to (A) the sum of (x) the product of the *total stock consideration* times the *average closing price*, plus (y) \$15,012,876, divided by (B) 2,502,146

- *Total stock consideration* means:

(i) If the *average closing price* is less than \$27.44, then 1,732,298 shares of Heritage Commerce Corp common stock; and

(ii) If the *average closing price* exceeds \$27.44, then 1,732,298 shares minus the number of shares equal to (A) .6666 times the difference between the *average closing price* and \$27.44 multiplied by 1,732,298, divided by (B) the *average closing price*.

- In general the *per share consideration* will float within a band of \$23.00 to \$25.00 if the *average closing price* is between \$24.55 and \$27.44. If the *average closing price* is above \$27.44, the *per share consideration* will be increased to reflect one-third of the increase in the *average closing price* above \$27.44. If the *average closing price* is below \$24.55, the aggregate amount of cash paid in the merger will be increased to an amount necessary to maintain a minimum *per share consideration* of \$23.00.

- If the *average closing price* falls below \$23.50, Heritage Commerce Corp has the right to terminate the agreement and plan of merger agreement.

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The following table gives examples of the *exchange ratio*, *per share consideration* and *total consideration* for various *average closing prices* between \$23.00 and \$30.00. The actual *average closing price* could be higher or lower than this range. This table assumes no exercise of outstanding options to acquire Diablo Valley Bank common stock.

Average Closing Price	Per Share Consideration	Exchange Ratio	Total Stock Consideration (Shares)	Value of Stock Consideration	Cash Consideration	Total Consideration
\$23.00	\$ 23.00	1.0000	1,732,298	\$ 39,842,854	\$ 17,697,938	\$ 57,540,792
\$23.50	\$ 23.00	0.9787	1,732,298	\$ 40,709,003	\$ 16,831,789	\$ 57,540,792
\$24.00	\$ 23.00	0.9583	1,732,298	\$ 41,575,152	\$ 15,965,640	\$ 57,540,792
\$24.55	\$ 23.00	0.9369	1,732,298	\$ 42,527,916	\$ 15,012,876	\$ 57,540,792
\$25.00	\$ 23.31	0.9323	1,732,298	\$ 43,307,450	\$ 15,012,876	\$ 58,320,326
\$26.00	\$ 24.00	0.9231	1,732,298	\$ 45,039,748	\$ 15,012,876	\$ 60,052,624
\$27.00	\$ 24.69	0.9145	1,732,298	\$ 46,772,046	\$ 15,012,876	\$ 61,784,922
\$27.44	\$ 25.00	0.9110	1,732,298	\$ 47,534,257	\$ 15,012,876	\$ 62,547,133
\$28.00	\$ 25.13	0.8974	1,709,203	\$ 47,857,684	\$ 15,012,876	\$ 62,870,560
\$29.00	\$ 25.36	0.8744	1,670,180	\$ 48,435,232	\$ 15,012,876	\$ 63,448,108
\$30.00	\$ 25.59	0.8529	1,633,759	\$ 49,012,780	\$ 15,012,876	\$ 64,025,656

Amounts shown in the **Total Consideration** column do not include approximately \$7.5 million that will be paid to holders of options to acquire Diablo Valley Bank common stock (assuming no exercise of such options before completion of the merger). Holders of Diablo Valley Bank preferred stock may convert preferred stock to Diablo Valley Bank common stock on a one-for-one basis before redemption and instead receive the merger consideration, but as indicated above the per share merger consideration for each share of common stock is likely to be substantially less than \$32.00 per share.

Subject to the allocation provisions of the merger agreement, you may elect to receive all cash or all Heritage common stock for the Diablo Valley Bank shares you own.

- If you elect cash, the amount you receive per share will be equal to the *per share consideration*.
- If you elect Heritage Commerce Corp common stock, the number of shares that you will receive will be equal to the number of your Diablo Valley Bank shares multiplied by an *exchange ratio*. The *exchange ratio* will be calculated by dividing the *per share consideration* by the *average closing price*. To the extent that the formula results in a fraction of a share, such fraction will not be issued but you will receive cash in lieu of such fractional interest.

As of the date of this proxy statement/prospectus, Diablo Valley Bank has 2,505,146 shares outstanding. Between the date hereof and the closing for the merger, additional stock options may be exercised. As a result of the additional shares pursuant to the exercise of outstanding stock options, the aggregate consideration to be paid by Heritage Commerce Corp will increase but the *per share consideration* due to Diablo Valley Bank shareholders will not decrease.

If you are a shareholder of record of Diablo Valley Bank common stock you may make different elections with respect to different shares. For example, if you are the record holder of 10,000 shares of Diablo Valley Bank common stock, you may elect to have 3,000 of those shares converted into the cash consideration and 7,000 of those shares converted into the Heritage Commerce Corp common stock consideration, subject to potential adjustment as described below. If you hold your stock in *street name* through a bank or broker, your election procedures may be subject to further limitations imposed by your bank or broker.

The foregoing discussion applies primarily to holders of Diablo Valley Bank common stock. Holders of its series A preferred stock will receive \$32.00 per share in redemption of those shares before completion of the merger.

Risk Factors (page 20)

See the section entitled "Risk Factors" beginning on page 20 for a discussion of risks associated with the merger.

Regardless of whether you make a cash election or a stock election, you may nevertheless receive a mix of cash and stock (page 43)

The merger agreement provides that the total Diablo Valley Bank shares of common stock outstanding immediately prior to completion of the merger will be converted into the right to receive \$15,012,876 cash, subject to adjustment, and 1,732,298 shares of Heritage Commerce Corp common stock, subject to adjustment. As a result, if more shareholders elect to receive either form of consideration than is available under the merger agreement, shareholders electing the over-subscribed form of consideration will have their elections proportionately reduced and will receive a portion of their consideration in the other form, despite their election.

Consideration for Diablo Valley Bank Stock Options (page 44)

Upon completion of the merger each outstanding option to purchase shares of Diablo Valley Bank common stock, whether vested or not, will be cancelled and converted into the right to receive a lump sum cash payment, without interest, equal to the product of (1) the number of shares subject to such Diablo Valley Bank option and (2) the excess, if any, of the per share consideration over the exercise price per share of such Diablo Valley Bank option, subject to applicable tax withholding.

The Merger Will Generally Be Tax-Free to Diablo Valley Bank Shareholders Except to the Extent of the Cash They Receive (page 60)

Heritage Commerce Corp and Diablo Valley Bank have structured the merger to qualify as a reorganization for United States federal income tax purposes, and it is a condition to their respective obligations to complete the merger that each of Heritage Commerce Corp and Diablo Valley Bank receive a legal opinion to that effect. Accordingly, the merger will generally be tax-free to you, except to the extent of the cash you receive in the merger. The amount of gain that you recognize in the merger will generally be limited to the lesser of the amount of gain that you realize and the amount of cash that you receive in the merger (except for any cash you receive instead of fractional shares). The amount of gain that you realize is generally equal to the excess, if any, of the sum of the cash and the fair market value of the Heritage Commerce Corp common stock that you receive over your tax basis in the Diablo Valley Bank common stock you surrender in the merger.

The United States federal income tax consequences described above may not apply to all holders of Diablo Valley Bank common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you

Comparative Market Prices and Share Information (pages 38 and 90)

Heritage Commerce Corp common stock is quoted on the NASDAQ Global Select Market under the symbol HTBK. Diablo Valley Bank common stock is quoted on the Over-the-Counter Bulletin Board under the symbol DBVB. The following table shows the closing sale prices of Heritage Commerce Corp common stock and Diablo Valley Bank common stock as reported on the NASDAQ Global Select Market

and the Over-the-Counter Bulletin Board, respectively, on February 8, 2007, the last trading day before we announced the merger, and the closing price on [*], the last practicable trading day before the distribution of this document. This table also shows the implied value of the consideration proposed for each share of Diablo Valley Bank common stock receiving Heritage Commerce Corp common stock in the merger, which was calculated by multiplying the closing price of Heritage Commerce Corp common stock on those dates by .9127 and [*], the respective exchange ratios that would result if the applicable average Heritage Commerce Corp trading price were equal to the Heritage Commerce Corp closing prices on such dates.

	Heritage Commerce Corp Common Stock	Diablo Valley Bank Common Stock	Equivalent Value of Pro Forma Price Per Share
At February 8, 2007	\$ 27.25	\$ 24.00	\$ 24.87
At [*]	\$ [*]	\$ [*]	\$ [*]

The market price of Heritage Commerce Corp common stock and Diablo Valley Bank common stock will fluctuate prior to the merger. You should obtain market quotations for the shares.

Howe Barnes Hoefler & Arnett Has Provided an Opinion to the Diablo Valley Bank Board of Directors Regarding the Merger Consideration (page 31)

Howe Barnes Hoefler & Arnett delivered its opinion to Diablo Valley Bank's Board of Directors that as of February 8, 2007, and based upon and subject to the factors and assumptions set forth in the opinion, the merger consideration to be received by holders of the outstanding shares of the common stock of Diablo Valley Bank under the agreement and plan of merger was fair from a financial point of view.

The full text of the written opinion of Howe Barnes Hoefler & Arnett, dated February 8, 2007, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix B to this proxy statement/prospectus. Diablo Valley Bank's shareholders are encouraged to read the opinion in its entirety. Howe Barnes Hoefler & Arnett provided its opinion for the information and assistance of the Diablo Valley Bank Board of Directors in connection with its consideration of the transaction. The Howe Barnes Hoefler & Arnett opinion is not a recommendation as to how any holder of Diablo Valley Bank common stock should vote with respect to the transaction.

The Diablo Valley Bank Board of Directors Recommends that Diablo Valley Bank Shareholders Vote FOR Approval of the Merger (pages 26 and 29)

The Diablo Valley Bank Board of Directors believes that the merger is in the best interests of Diablo Valley Bank and its shareholders and has approved the merger and the merger agreement. The Diablo Valley Bank Board of Directors recommends that Diablo Valley Bank shareholders vote FOR approval of the merger.

Diablo Valley Bank's Directors and Officers Have Financial Interests in the Merger That May Differ From Your Interests (page 40)

In considering the information contained in this document, you should be aware that Diablo Valley Bank's executive officers and directors have financial interests in the merger that may be different from, or in addition to, the interests of Diablo Valley Bank shareholders. These additional interests of Diablo Valley Bank's executive officers and directors may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than you may view it as a shareholder.

These interests include:

- Certain officers and directors have stock options exercisable in full prior to the merger.
- James Mayer, President of Diablo Valley Bank, has entered into an employment agreement with Heritage Bank of Commerce and a noncompetition agreement with Heritage Commerce Corp and Heritage Bank of Commerce, both agreements becoming effective on the effective date of the merger. These agreements supersede Mr. Mayer's existing agreements with Diablo Valley Bank and eliminate his right to substantial payments from Diablo Valley Bank regarding this merger.
- John J. Hounslow, Chairman of the Board of Diablo Valley Bank, has entered into a consulting agreement with Heritage Bank of Commerce and a noncompetition agreement with Heritage Commerce Corp and Heritage Bank of Commerce, both agreements becoming effective on the effective date of the merger. These agreements will supersede Mr. Hounslow's existing agreements with Diablo Valley Bank and eliminate his right to receive substantial payments from Diablo Valley Bank regarding this merger on the effective date of the merger.
- John J. Hounslow and Mark E. Lefanowicz will be appointed to the Board of Directors of Heritage Commerce Corp and Heritage Bank of Commerce.
- Randall D. Greenfield, chief financial officer of Diablo Valley Bank, is a party to an employment agreement with Diablo Valley Bank that would result in substantial payments to him in the case the merger is completed and his employment with Heritage Bank of Commerce is terminated. The parties anticipate that Mr. Greenfield will not be hired by Heritage Bank of Commerce beyond an initial consulting period to assist in the transition and therefore he will receive the severance payments described in his agreement.

Diablo Valley Bank's Board of Directors was aware of these interests and took them into account in its decision to approve and adopt the merger agreement. For information concerning these interests, please see the discussion under the caption "Diablo Valley Bank's Directors and Officers Have Financial Interests in the Merger" on page 40.

Holders of Diablo Valley Bank Common Stock Have Appraisal Rights in the Merger (page 62)

Under California law, in the event the merger is completed, if you do not vote to approve and adopt the merger agreement, and you comply with the other requirements of the relevant provisions of California law described in this proxy statement/prospectus, you may elect to receive, in cash, the statutorily determined fair value of your shares of our common stock, with interest, in lieu of receiving the merger consideration. In order to qualify for dissenters' rights, a Diablo Valley Bank shareholder must vote against the merger and must make a written demand on Diablo Valley Bank within 30 days after Diablo Valley Bank mails the notice of approval of the merger to shareholders. A shareholder who executes and returns an unmarked proxy will have his or her shares voted "For" the merger and, as a consequence, such shareholder will be foreclosed from exercising rights as a dissenting shareholder.

If the merger is approved, Diablo Valley Bank will, within ten days after the meeting, mail to any shareholder who did not vote for the merger a notice that the required shareholder approval of the merger was obtained. This notice of approval will state the price determined by Diablo Valley Bank to represent the "fair market value" of any dissenting shares and a brief description of the procedures to be followed by dissenting shareholders who wish to further pursue their statutory rights. The dissenting shareholder must deliver his or her share certificate for receipt by Diablo Valley Bank within 30 days after the date on which the notice of approval was mailed to the shareholder.

The Diablo Valley Bank Board of Directors has determined that the "fair market value" of one share of Diablo Valley Bank common stock for this purpose is \$20.77. You may disagree with the Diablo Valley

Bank Board of Directors' determination of the fair market value. A copy of the full text of the relevant provisions of California law is attached as Appendix C, and any description in this proxy statement/prospectus of those provisions is qualified in its entirety by reference to Appendix C.

Diablo Valley Bank preferred shares, unless first converted to shares of common stock, will be redeemed for the redemption price of \$32.00 per share before completion of the merger. Under California law, if the dissenting shares are surrendered for conversion into shares of Diablo Valley Bank common stock or are transferred prior to the shareholders' delivery of such shares to Diablo Valley Bank, they lose their status as dissenting shares and the holders of such shares cease to be dissenting shareholders. The Diablo Valley Bank preferred shares that will be redeemed will be transferred to Diablo Valley Bank prior to the completion of the merger. As a result, the Diablo Valley Bank preferred shares, whether converted to shares of Diablo Valley Bank common stock or redeemed by Diablo Valley Bank, will lose their status as dissenting shares and, therefore, those shares will not be eligible for appraisal rights.

Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 54)

Currently, we expect to complete the merger in the second or third quarter of 2007. As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied. These conditions include, among others, approval by Diablo Valley Bank shareholders, redemption of the Diablo Valley Bank series A preferred stock, absence of material adverse change in the parties, the receipt of all required regulatory approvals (such as approval by the Board of Governors of the Federal Reserve System and the California Department of Financial Institutions), the receipt of legal opinions by each company regarding the tax treatment of the merger and other customary conditions.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement (page 56)

We may mutually agree to terminate the merger agreement before completing the merger, even after shareholder approval, as long as the termination is approved by each of our boards of directors. In addition, either of us may decide to terminate the merger agreement at any time, if:

- a final judicial or regulatory determination that any material provision of the merger agreement is unenforceable or denying a regulatory application;
- the Diablo Valley Bank shareholders fail to approve the adoption of the merger agreement by the required vote;
- the other party breaches any representation, warranty, covenant or agreement that gives rise to the failure of certain conditions precedent and fails to cure the breach within the agreed time;
- after September 30, 2007, if the merger has not been consummated by then, unless the failure to consummate the merger was due to the failure of the party requesting termination to perform an obligation under the merger agreement; or
- circumstances, in connection with the acceptance of a superior acquisition proposal by the Board of Directors of Diablo Valley Bank.

Heritage Commerce Corp may terminate the merger agreement if:

- Diablo Valley Bank's Board of Directors fails to provide notice or solicit proxies for the special meeting, fails to recommend the merger, changes or plans to change its positive recommendation of the merger, approves or recommends an acquisition proposal other than the merger, enters or plans

to enter into agreements for another acquisition proposal, or recommends that Diablo Valley Bank shareholders tender their shares in connection with an offer that is not made by Heritage Commerce Corp;

- Diablo Valley Bank breaches its obligations under the merger agreement with respect to the solicitation and consideration of offers other than the merger;
- Diablo Valley Bank exercises its rights with regard to the consideration of other acquisition proposals under the merger agreement and continues discussions with persons concerning an acquisition proposal for more than 15 business days after the date of such acquisition proposal; or
- the average closing price of Heritage Commerce Corp common stock for the 20 trading days ending on the fifth trading day immediately before the effective date of the merger is less than \$23.50.

Diablo Valley Bank may terminate the merger agreement if Diablo Valley Bank's Board of Directors authorizes Diablo Valley Bank, subject to complying with the terms of the merger agreement, to enter into a written agreement with respect to a superior acquisition proposal by a third party provided that:

- Diablo Valley Bank's Board of Directors complies with the provisions of the merger agreement relating to the non-solicitation of competing acquisition proposals and in responding to unsolicited acquisition proposals;
- before taking any action Diablo Valley Bank promptly gives Heritage Commerce Corp notice of its decision to take such action, the notice specifies the material terms and conditions of the superior acquisition proposal and identifies the person making such superior acquisition proposal, and Diablo Valley Bank gives Heritage Commerce Corp at least five business days to propose revisions to the merger agreement in response to the superior acquisition proposal and Diablo Valley Bank negotiates in good faith with Heritage Commerce Corp with respect to such proposed revisions;
- Diablo Valley Bank Board of Directors reasonably determines in good faith that it is necessary to terminate the merger agreement in order to comply with its fiduciary duties under applicable law; and
- Diablo Valley Bank pays a termination fee to Heritage Commerce Corp as described below.

Termination Fee if the Merger is Not Completed (page 57)

Diablo Valley Bank is required to pay Heritage Commerce Corp a termination fee of \$3,380,000 under the following circumstances:

- if Heritage Commerce Corp terminates the merger agreement because Diablo Valley Bank's Board of Directors fails to recommend the merger, adversely alters or modifies its favorable recommendation, approves or recommends an acquisition proposal other than the merger, enters or plans to enter into agreements for another acquisition proposal, or recommends that Diablo Valley Bank shareholders tender their shares in connection with an offer that is not made by Heritage Commerce Corp;
- if Heritage Commerce Corp terminates its merger agreement because Diablo Valley Bank breaches its obligations under the merger agreement with respect to the solicitation and consideration of offers other than the merger;
- if Diablo Valley Bank terminates the merger agreement in connection with the acceptance of a superior acquisition proposal by the Diablo Valley Bank's Board of Directors that is deemed necessary to fulfill its fiduciary duties as discussed above; or

- if there is a publicly known acquisition proposal other than the merger, and the merger agreement is later terminated because of Diablo Valley Bank shareholders' failure to approve the merger or because the merger is not consummated in time because of Diablo Valley Bank's actions, and Diablo Valley Bank completes an acquisition proposal within 12 months after termination of the merger agreement, or within 6 months of the termination of the merger agreement, enters into an agreement for an acquisition proposal.

Regulatory Approvals Required for the Merger (page 38)

Diablo Valley Bank and Heritage Commerce Corp have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval from the Federal Reserve Board, the California Department of Financial Institutions and the Federal Deposit Insurance Corporation. Heritage Commerce Corp and Diablo Valley Bank have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals.

Although we do not know of any reason why we cannot obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

The Rights of Diablo Valley Bank Shareholders will be Governed by California Law and the Heritage Commerce Corp Articles of Incorporation and Bylaws after the Merger (page 42)

The legal rights of Diablo Valley Bank shareholders who become Heritage Commerce Corp shareholders will change as a result of the merger because the rights of the holders of Heritage Commerce Corp common stock will be governed by the Heritage Commerce Corp articles of incorporation and bylaws. The differences in the rights that Diablo Valley Bank shareholders will have as a result of the merger are discussed beginning on page 89.

Diablo Valley Bank will Hold its Special Meeting on June 13, 2007 (page 24)

The special meeting will be held on June 13, 2007 at 5:30 p.m., local time, at 387 Diablo Road, Danville, California 94526. At the special meeting, Diablo Valley Bank shareholders will be asked to:

- approve the merger; and
- approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the merger.

Record Date. Only holders of record of Diablo Valley Bank common stock and series A preferred stock at the close of business on April 27, 2007 will be entitled to vote at the special meeting. Each share of Diablo Valley Bank common stock is entitled to one vote. Each holder of series A preferred stock is entitled to one vote, voting as a separate class from the common stock holders. As of the record date of April 27, 2007, there were 2,505,146 shares of Diablo Valley Bank common stock and 207,061 shares of Diablo Valley series A preferred stock entitled to vote at the special meeting.

Required Vote. To approve the merger, the holders of a majority of the outstanding shares of Diablo Valley Bank common stock and the outstanding shares of the series A preferred stock, each voting as a separate class, must vote in favor of approving the merger. Because approval is based on the affirmative vote of at least a majority of shares outstanding of each of the common stock and preferred stock, a Diablo Valley Bank shareholder's failure to vote or an abstention will have the same effect as a vote against the merger.

Approval of any necessary adjournment of the special meeting may be obtained by the affirmative vote of the holders of a majority of the shares of the common stock present in person or by proxy, even if

less than a quorum. Because approval of such adjournment is based on the affirmative vote of a majority of shares present in person or by proxy, abstentions will have the same effect as a vote against this proposal.

As of the record date, Diablo Valley Bank directors and executive officers and their affiliates had the right to vote 436,680 shares of Diablo Valley Bank common stock, or approximately 17% of the outstanding common shares (excluding exercisable options and shares of preferred stock convertible to common stock) and 40,122 shares of series A preferred stock, or approximately 19% of the outstanding preferred shares. As described below, the directors of Diablo Valley Bank have agreed to vote their shares of Diablo Valley Bank common stock in favor of the merger.

Diablo Valley Bank's Directors Have Agreed to Vote in Favor of the Merger (page 26)

In consideration of Heritage Commerce Corp agreeing to enter into the merger agreement, each of the members of our Board of Directors entered into voting agreements with Heritage Commerce Corp under which they agreed to vote their shares of Diablo Valley Bank common stock in favor of the merger agreement and against any competing acquisition transaction. The shares subject to these voting agreements represent approximately 17% (28% inclusive of exercisable options and shares of preferred stock convertible to common stock) of the outstanding shares of Diablo Valley Bank common stock. A form of the voting agreement is attached to this proxy statement/prospectus as Appendix D.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF HERITAGE COMMERCE CORP

Set forth below are highlights derived from Heritage Commerce Corp's audited consolidated financial data as of and for the years ended December 31, 2002 through 2006. You should read this information in conjunction with Heritage Commerce Corp's consolidated financial statements and related notes included in Heritage Commerce Corp's Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated by reference in this document and from which this information is derived. See "Where You Can Find More Information" on page 94.

	AT AND FOR YEAR ENDED DECEMBER 31,					
	2006	2005	2004	2003	2002	
	(Dollars in thousands, except share and per share amounts and ratios)					
INCOME STATEMENT DATA:						
Interest income	\$ 72,957	\$ 63,756	\$ 50,685	\$ 46,447	\$ 51,015	
Interest expense	22,525	15,907	9,648	10,003	15,237	
Net interest income before provision for loan losses	50,432	47,849	41,037	36,444	35,778	
Provision for loan losses	(503)	313	666	2,900	2,663	
Net interest income after provision for loan losses	50,935	47,536	40,371	33,544	33,115	
Noninterest income	9,840	9,423	10,544	10,812	9,684	
Noninterest expense	34,268	35,233	39,238	33,084	32,161	
Income before income taxes	26,507	21,726	11,677	11,272	10,638	
Income tax expense	9,237	7,280	3,199	3,496	3,484	
Net income	\$ 17,270	\$ 14,446	\$ 8,478	\$ 7,776	\$ 7,154	
PER SHARE DATA:						
Basic net income(1)	\$ 1.47	\$ 1.22	\$ 0.73	\$ 0.69	\$ 0.65	
Diluted net income(2)	\$ 1.44	\$ 1.19	\$ 0.71	\$ 0.67	\$ 0.63	
Book value(3)	\$ 10.54	\$ 9.45	\$ 8.45	\$ 7.86	\$ 7.30	
Weighted average number of shares outstanding basic	11,725,671	11,795,635	11,559,155	11,221,232	11,063,965	
Weighted average number of shares outstanding diluted	11,956,433	12,107,230	11,986,856	11,572,588	11,324,650	
Shares outstanding at period end	11,656,943	11,807,649	11,669,837	11,381,037	11,214,414	
BALANCE SHEET DATA:						
Securities	\$ 172,298	\$ 198,495	\$ 232,809	\$ 153,473	\$ 126,443	
Net loans	\$ 716,475	\$ 678,554	\$ 713,033	\$ 648,706	\$ 660,680	
Allowance for loan losses	\$ 9,279	\$ 10,224	\$ 12,497	\$ 13,451	\$ 13,227	
Total assets	\$ 1,037,138	\$ 1,130,509	\$ 1,108,173	\$ 1,005,982	\$ 960,066	
Total deposits	\$ 846,593	\$ 939,759	\$ 918,535	\$ 835,410	\$ 841,936	
Other borrowed funds	\$ 21,800	\$ 32,700	\$ 47,800	\$ 43,600	\$ 0	
Notes payable to subsidiary grantor trusts	\$ 23,702	\$ 23,702	\$ 23,702	\$ 23,702	\$ 23,000	
Total shareholders' equity	\$ 122,820	\$ 111,617	\$ 98,579	\$ 89,485	\$ 81,862	
SELECTED PERFORMANCE RATIOS:						
Return on average assets(4)	1.57	% 1.27	% 0.80	% 0.81	% 0.77	%
Return on average equity	14.62	% 13.73	% 9.04	% 9.04	% 9.15	%
Net interest margin	5.06	% 4.58	% 4.22	% 4.15	% 4.19	%
Efficiency	56.86	% 61.52	% 76.07	% 70.01	% 70.74	%
Average net loans as a percentage of average deposits	77.61	% 73.55	% 77.11	% 77.21	% 76.49	%
Average total shareholders' equity as a percentage of average total assets	10.75	% 9.25	% 8.80	% 8.95	% 8.41	%
SELECTED ASSET QUALITY RATIOS:						
Net loan charge-offs to average loans	0.06	% 0.28	% 0.19	% 0.41	% 0.09	%
Allowance for loan losses to total loans	1.28	% 1.48	% 1.72	% 2.03	% 1.96	%
CAPITAL RATIOS:						
Tier 1 risk-based	17.3	% 14.2	% 13.0	% 13.3	% 12.1	%
Total risk-based	18.4	% 15.3	% 14.3	% 14.5	% 13.3	%
Leverage	13.6	% 11.6	% 10.9	% 11.1	% 10.7	%

- (1) Represents net income divided by the average number of shares of common stock outstanding for the respective period.
- (2) Represents net income divided by the average number of shares of common stock and common stock-equivalents outstanding for the respective period.
- (3) Represents shareholders' equity divided by the number of shares of common stock outstanding at the end of the period indicated.
- (4) Average balances used in this table are based on daily averages.

SELECTED HISTORICAL FINANCIAL DATA OF DIABLO VALLEY BANK

Diablo Valley Bank commenced operations on October 20, 2003. Set forth below are highlights derived from Diablo Valley Bank's audited financial statements as of and for the years ended December 31, 2003 through 2006.

	2006	2005	2004	2003*	
(Dollars in thousands, except per share amounts and ratios)					
INCOME STATEMENT DATA:					
Interest income	\$ 15,559	\$ 9,551	\$ 3,211	\$ 82	
Interest expense	5,222	2,233	705	33	
Net interest income before provision for loan losses	10,337	7,318	2,506	49	
Provision for loan losses	464	1,175	680	70	
Net interest income after provision for loan losses	9,873	6,143	1,826	(21)	
Noninterest income	200	86	33	3	
Noninterest expense	6,446	4,754	3,960	685	
Income (loss) before income taxes	3,627	1,475	(2,101)	(703)	
Income tax expense (benefit)	1,620	(878)	1		
Net income (loss)	\$ 2,007	\$ 2,353	\$ (2,102)	\$ (703)	
PER SHARE DATA:					
Basic net income (loss)	\$ 0.67	\$ 0.88	\$ (0.85)	\$ (0.28)	
Diluted net income	\$ 0.62	\$ 0.80			
Book value	\$ 7.01	\$ 6.14	\$ 5.23	\$ 6.11	
Weighted average number of shares outstanding basic	2,491,488	2,480,320	2,475,293	2,475,000	
Weighted average number of shares outstanding diluted	2,721,758	2,749,927			
Shares outstanding at period end	2,502,146	2,482,946	2,476,496	2,474,996	
BALANCE SHEET DATA:					
Securities	\$ 8,734	\$ 14,616	\$ 13,683	\$ 3,023	
Net loans	\$ 197,023	\$ 144,143	\$ 92,336	\$ 6,918	
Allowance for loan losses	\$ 2,389	\$ 1,925	\$ 750	\$ 70	
Total assets	\$ 249,228	\$ 192,692	\$ 126,219	\$ 41,482	
Total deposits	\$ 224,215	\$ 165,537	\$ 108,054	\$ 26,339	
Other borrowed funds	\$ 5,000	\$ 5,000	\$ 5,000	\$	
Total shareholders' equity	\$ 24,064	\$ 21,749	\$ 12,956	\$ 15,130	
SELECTED PERFORMANCE RATIOS:					
Return on average assets	0.92	% 1.44	% -2.42	% -12.04	%
Return on average equity	8.73	% 13.88	% -15.23	% -22.48	%
Net interest margin	4.99	% 4.73	% 3.20	% 1.00	%
Efficiency	61.2	% 64.2	% 156.0	% 1317.3	%
Average net loans as a percentage of average deposits	87.7	% 81.5	% 64.7	% 21.8	%
Average shareholders' equity as a percent of average total assets	10.5	% 10.3	% 15.9	% 53.6	%
SELECTED ASSET QUALITY RATIOS:					
Net loan charge-offs to average loans	0.00	% 0.00	% 0.00	% 0.00	%
Allowance for loan losses to total loans	1.20	% 1.32	% 0.81	% 1.00	%
CAPITAL RATIOS:					
Tier 1 risk-based	10.6	% 13.1	% 11.3	% 110.8	%
Total risk-based	11.6	% 14.3	% 11.9	% 111.3	%
Leverage	9.7	% 11.4	% 11.2	% 65.3	%

* Operations commenced October 20, 2003

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The accompanying selected unaudited pro forma condensed combined statement of income data presents the Heritage Commerce Corp audited consolidated statement of income data for the year ended December 31, 2006 combined with Diablo Valley Bank's audited statement of income data for the year ended December 31, 2006. The selected unaudited pro forma condensed combined statement of income data gives effect to the merger as if it had occurred at the beginning of 2006. The accompanying selected unaudited pro forma condensed combined balance sheet assumes the merger took place as of December 31, 2006. The selected unaudited pro forma condensed combined balance sheet data combines the audited consolidated balance sheet data of Heritage Commerce Corp as of December 31, 2006 and the audited balance sheet data of Diablo Valley Bank as of December 31, 2006.

The selected unaudited pro forma condensed combined financial information includes purchase accounting adjustments to record the assets and liabilities of Diablo Valley Bank at their estimated fair values and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The selected unaudited pro forma condensed combined financial information presented below should be read together with the historical financial statements of Heritage Commerce Corp and Diablo Valley Bank, including the related notes and the other unaudited pro forma financial information, including the related notes, contained in this document or incorporated by reference. See

Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 64. The selected unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the impact of business integration costs and possible revenue enhancements and expense efficiencies, among other factors, been considered.

The pro forma financial information assumes that the Diablo Valley Bank common stock will be exchanged for 1,732,298 shares of Heritage Commerce Corp common stock and \$15,012,876 of cash; however, the actual amount of cash paid may differ from this assumption. For purposes of illustration, the selected unaudited pro forma condensed combined figures have been calculated assuming that the average closing price of Heritage Commerce Corp common stock is \$26.27 (the average closing price for 20 trading days ending on the fifth trading day immediately before March 9, 2007) resulting in value to Diablo Valley Bank shareholders of \$24.19 per share consideration. We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and revenue enhancement opportunities. The selected unaudited pro forma condensed combined financial information does not reflect the impact of possible revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors, that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during this period. Upon completion of the merger, the operating results of Diablo Valley Bank will be reflected in the consolidated financial statements of Heritage Commerce Corp on a prospective basis.

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	As of and for the Year Ended December 31, 2006			
	Heritage Commerce Corp (Dollars in Thousands)	Diablo Valley Bank	Adjustments	Pro Forma Combined
Summary Statement of Income Data:				
Interest income	\$ 72,957	\$ 15,559	\$ (1,199)	\$ 87,317
Interest expense	22,525	5,222	158	27,905
Net interest income before provision for loan losses	50,432	10,337	(1,357)	59,412
Provision for loan losses	(503)	464		(39)
Net interest income after provision for loan losses	50,935	9,873	(1,357)	59,451
Noninterest income	9,480	200		10,040
Noninterest expense	34,268	6,446	761	41,475
Income before income taxes	26,507	3,627	(2,118)	28,016
Income tax expense	9,237	1,620	(890)	9,967
Net income	\$ 17,270	\$ 2,007	\$ (1,228)	\$ 18,049
Summary Balance Sheet Data:				
Cash and cash equivalents	\$ 49,385	\$ 33,513	\$ (30,161)	\$ 52,737
Securities	172,298	8,735	(65)	180,968
Net loans	716,475	197,023	(349)	913,149
Total assets	1,037,138	249,228	22,421	1,308,787
Deposits	846,593	224,215	(157)	1,070,651
Total liabilities	914,318	225,164	978	1,140,460
Total shareholders equity	122,820	24,064	21,443	168,327

Comparative Unaudited Per Share Data

	Historical Heritage Commerce Corp	Diablo Valley Bank	Pro Forma Combined	Per Diablo Valley Bank Equivalent Share(1)
Net income per common share for the year ended December 31, 2006				
Basic	\$ 1.47	\$ 0.67	\$ 1.34	\$ 1.24
Diluted	\$ 1.44	\$ 0.62	\$ 1.32	\$ 1.22