

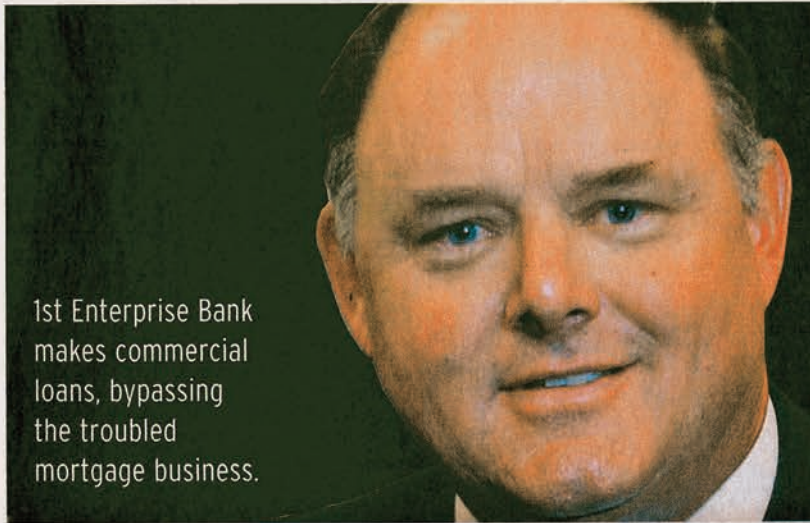
TODAY'S THEME
GROWTH & BUILDING

READERS SAY ...
County is in for bad economic times. **Page 4**



MORGAN STANLEY
Firm to cut about 600 jobs and trim its mortgage business. **Page 4**

9 NUMBER OF MONTHS IT WOULD THEORETICALLY TAKE TO SELL ALL O.C. HOMES NOW ON THE MARKET BASED ON THE PAST YEAR'S SALES PACE
SOURCE: REAL DATA STRATEGIES INC.



1st Enterprise Bank makes commercial loans, bypassing the troubled mortgage business.

COURTESY OF 1ST ENTERPRISE BANK

Startup bank expands despite credit crunch

Is John Black crazy?

He's expanding 1st Enterprise Bank while every other lender is reeling from a global credit crunch. The Los Angeles-based bank opened an Irvine office Sept. 5 with five employees.



MATHEW PADILLA
REGISTER COLUMNIST

Of course, Black doesn't make home loans. He lends to businesses with revenue anywhere from a few million bucks a year to \$100 million or more.

Although this is outside the mortgage Q&As we usually pursue, we thought it was worth talking to a lender that was expanding in O.C. So we chatted with Black, chief executive, and K. Brian Horton, president and the bank's main guy in Irvine.

Q. Isn't it a little nuts to expand a bank in the middle of a credit crunch?

Black: In the market that we service, which is the small to mid-size business, there really is no credit crunch per se. There are plenty of commercial banks that continue to provide credit to these types of companies. We opened with \$27.5 million in assets, and we currently have over \$130 million in deposits. And so we have plenty of liquidity. ... The issues that you are describing are really limited to a very narrow segment of the overall financial world.

Horton: John and I were both presidents with Mellon 1st Business Bank. John and I had been there 18 years. I ran the O.C. office. I oversaw a couple of other offices, but I was physically located in Orange County. When we were putting the bank together, we decided to headquarter in Los Angeles because of future growth plans, but we immediately brought in people to staff the O.C. office. ... We probably have at least \$50 million in deposits in Orange County.

SEE BANK* PAGE 2

O.C. businesses changing hands at quicker pace

By JAN NORMAN
THE ORANGE COUNTY REGISTER

ONLINE EXTRAS



Track small-business trends online with Jan Norman at: ocregister.com/jan

Sales of Orange County businesses more than doubled to 248 in September compared with a year earlier, reports BizBen.com, the San Ramon businesses-for-sale Web site.

Sales statewide increased by 43.5 percent to 1,960 businesses sold during the month, continuing an upward trend after a dismal July.

The September data confirm predictions in August by BizBen.com owner Peter Siegel that sales were picking up and the gains would surface in the coming months. He tied the increase to layoffs in the housing and mortgage industries that would prompt some laid-off workers to buy a business rather than hunt for jobs in a down industry.

Sales for the year are still lagging behind last year in Orange County and statewide. If BizBen.com data for past years are any indication, 2007 is likely to finish with fewer sales than 2006 because fourth-quarter sales have tended to be right around 25 percent of the yearly total.

BANK: Small to midsize businesses

FROM PAGE 1

Q. What are you offering folks in Orange County that they can't get a thousand other places?

Black: The bank as a whole has a singular focus on small to mid-size. ... Brian has ultimate decision-making responsibility for the bank and the market (in Orange County). When these business customers deal with us, they are not dealing with a company headquartered out of state. They're dealing with one headquartered locally. ... We are not trying to be all things to all people. We're not a retail bank with mortgage and everything else.

Q. Still, you are a startup bank amid a credit crunch, and some folks may be curious about FDIC insurance. Are deposits insured up to \$100,000 per business per account as with consumers?

Black: It is the same. Each individual whether personal or commercial is FDIC insured. We carry FDIC and are regulated by the California Department of Financial Institutions. We are under the same scrutiny as any major bank. As a startup, we are very well-capitalized and highly liquid. We have all done this before. We feel we are maintaining a very sound and safe banking strategy.

Q. Where's your startup financing coming from?

Black: We did a stock offering that began in May of last year. Our stock offering was not un-



H. LORREN AU JR., THE ORANGE COUNTY REGISTER

EYE TOWARD GROWTH: "When we were putting the bank together, we decided to headquarter in Los Angeles because of future growth plans, but we immediately brought in people to staff the O.C. office," said Brian Horton, president of 1st Enterprise Bank.

derwritten from the standpoint of investment banking. We did it on what's known as best-effort basis. Brian and I went out and made personal contact with more than 300 individuals, mostly business owners and professionals, and basically sold stock to them by word of mouth. Our target minimum was \$20 million and maximum was \$27.5 million. We were tremendously oversubscribed at \$50 million. We capitalized at \$27.5 million, or \$10 per share. We have traded as high as \$21 and settled at \$20. We trade on the over-the-counter market under the symbol FENB.OB.

Q. I hear competition for consumer deposits is fierce. What's your plan to attract dollars?

Black: Twenty-three banks opened in California in 2006. At present we are nearly dou-

ble the size of the next largest bank in the class of '06. ...Basically we attract deposits by developing relationships with these businesses, which then transfer all of their banking to us. Oftentimes owners also transfer their own deposits to us. As for marketing efforts, we are constantly networking in the community. We are adding new business relationships nearly every day.

Q. I've heard some small-business owners have borrowed against their homes to start their business or expand it. Are there folks like that hurting amid a housing slump?

Horton: Probably those businesses are a little smaller than what we would typically have as clients. But the effects of subprime and the credit crunch could ultimately impact small and mid-size busi-

nesses especially if you're in a business that's cyclical, such as construction, architecture etc. This is a really critical time for those owners to know the decision makers in their bank.

Black: Larger banks make policy on a centralized basis, typically at a headquarters that is far away from Southern California. That could have a negative impact on businesses in certain sectors that may have exposure to the construction industry. What separates us is we look at every customer on a stand-alone basis. We don't make sweeping policy decisions that impact customers.

For more on the mortgage industry, check out the Mortgage Insider at ocregister.com/mortgage.