



As seen in

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A Bet on Orange County

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The County of Orange is a microcosm of California's image around the world: productive, diverse economically and socially, well-educated, expanding infrastructure, exceptional educational opportunities, worldly-wise population from travel and large immigrations from abroad¹, friendly, wonderful weather, safe, stable and a place where things actually function. But locals sometimes forget all of these wonderful things about where we live.



JP Gough

In 2000, with the recent collapse of the local real estate market in Orange County still heavy on everyone's mind, pundits were talking about the shift of economic opportunity and power to the northern part of the state. The increasing wealth of the leaders and companies in the dot-com capital, Silicon Valley, were laying claim to leadership of the state and were flexing their economic muscles from Sacramento to Washington, DC.

Some of those riding the high-tech boom were predicting that OC's low-to-middle-tech economy would soon be outsourced overseas. OC's brief rise as a player of importance in the state during the '80's and early '90's appeared to be over. The county's family-owned and managed enterprises lacked the capital resources, they were saying, to compete on the leading edge of technology and would increasingly fall behind in the Darwinian race of survival.

Just Follow the Money

With an economics background, I looked over the landscape and saw it differently from the then-existing, not-so-positive conventional wisdom. Banks from out of California – for that matter, banks out of the USA – were all still trying to get a presence in the OC; buying up just about any local bank that was still standing. If political wisdom was correct – 'just follow the money' – then Orange County had to have something going for it. Analysis showed a whole range of favorable statistics that few people pause to consider:

- OC is the 5th largest county in the United States in terms of population and 2nd in the State of California, behind Los Angeles County.
- Orange County has more residents than 21 of the nation's states, including Iowa, Utah, Nevada and Idaho.
- The County of Orange is actually one of the most densely populated areas in the United States and is second only to San Francisco in the State of California with 3,822 people per square mile. Los Angeles is less densely populated.
- The County of Orange is a decent sized nation in terms of its economy. Orange County is ranked 42nd in the world², ahead of such countries as Ireland (population of 4 million), Chile, Israel, New Zealand, Singapore, Greece, Hungary, Malaysia, Thailand, Iran and Portugal.
- Per person productivity of OC residents is one of the highest in the world.
- In the USA, Orange County is no small tiger. The county ranks 11th in gross county product behind Los Angeles (2nd) and Boston (4th), while ranking ahead of Minneapolis-St.Paul (12th), Phoenix (13th) and San Diego (14th).
- The county's labor force numbers around 1.52 million (2003) and unemployment in Orange County, at 3.8%, is significantly below the State of California (6.7%) and the United States (6.0%).
- OC exports goods (exclusive of services) of \$11.7 billion worldwide.
- In terms of median income, OC is the 5th wealthiest county in the United States.

The fact that OC is a wealthy county is not a surprise. But the wealth in OC is increasingly more diffused across the population spectrum. Of the almost one million households in OC, the segment earning \$0-\$24,000/year declined in number by over 16% during the 1990's and the segment earning \$20-\$50,000/year declined in number by over 11%. On the other side, households earning over \$50,000/year jumped in number by over 50%!!! Average household income grew in that period by over 37% per household.

¹ OC is a major recipient of other countries' "brain drain".

² In 2003, before the dollar's very significant slide against other currencies, OC ranked 32nd and had been 28th in 2000.

³ Defined as a commercial Bank not owned by an out-of-county holding company or investment group.

Supporting the above analysis of broad income distribution in the County, it is interesting that out of the 25 wealthiest localities in California, only 1 locality in Orange County is on the list. On the other hand, of the 25 poorest communities in California, no locality in Orange County is on that list.

The Banking Sector

In the past, OC has demonstrated a capacity to support many more local banks than currently exist – but the local, service-oriented banks keep getting bought out by large banks looking to get a toe-hold here. Only a decade ago (1993), 42 community Banks were based in OC. However, by 2000 there were only 9 locally-owned³ banks based in OC even though the local economy had grown considerably.

The absence of market saturation by independent banks meant there was an opportunity to start an independent Bank deeply rooted in Orange County, with strong capital and diverse relationships, on a solid and clear vision of increasingly better ways of doing things and providing better personalized service.

It was noted that Orange County has over 100,000 registered businesses. If ever there is a locality that is dominated by the entrepreneur and family enterprise, it is Orange County. I believed that since business is widely held by entrepreneurs and families, that they are culturally geared to wanting to deal with an entrepreneurial type of bank; not the big corporate type of bank.

Starting a new bank in 2002 was not as easy as it appears today. When Orange County Business Bank (“OCBB”) was raising the estimated \$15-20 million in a public offering to open its doors, the stock market was having its second worst period in US history with almost new daily lows. It took a lot of faith in the group’s analysis and ties to the local community to continue with the planned offering.

Notwithstanding the daunting challenge, the organizing group – without an investment banker or an underwriter – raised much more money than it was permitted to keep. And so the bank opened after closing its offering with about \$20 million. The stock was largely bought by owner-managers of OC businesses and helped to make it the largest Initial Public Offering for a new bank in California history at that time. About 2 years later, OCBB went back to the public market for \$25 million – again without an underwriting investment bank. This offering was also oversubscribed and closed with over \$30 million in subscriptions.

Philosophy of Success

The Bank aims to firmly establish itself as the “Bank of choice” for owner-managed businesses – working with the owners and their families, through succeeding generations and handling all of their business and personal Banking needs. The goal is to reduce the stress of ever-changing Banking relationships for business-owning families in the Orange County marketplace

and to help them anticipate their needs as the social and business environments change.

The key to OCBB’s type of banking is people-to-people contact on an ongoing basis as well as a real sense that the bank is giving the client a fair deal. OCBB differentiates itself through a consistent focus on each client relationship, providing custom service as appropriate to the client’s desire and need. After all says Allan Gibson, the bank’s Chief Operating Officer, “The essence of community banking is knowing the owner-manager’s business paradigms, strategies and motivations and staying on top of everything so that he or she do not have to do it all themselves.”

At OCBB, the Board and Management consider the staff to be the bank’s most valuable asset. The Bank differentiates itself by delivering the old style level of service that entrepreneurs and families that own and manage businesses expect from their business relationships. To do so, requires finding those professionals at all levels who understand that the Bank must “perform with whatever it takes” to meet clients needs and expectations.

The Bank is determined to maintain a positive working environment for everyone in the same way that its family-owners try to keep positive atmospheres in their own businesses. There is a strong emphasis within the Bank on “collegiality” and “collaboration.” No matter how rushed or bad the day, everyone is expected to be professionally polite to everyone else – not just clients – but all colleagues and subordinates as well.

The Bank’s philosophy about the work place can be expressed in this way: if there is a low level of friction among all who work at the Bank during the day, everyone will perform better and can go home with some energy left for their families and personal lives. We believe that the ‘whole person’ matters for a successful workplace. Management works hard to keep a positive work environment which helps to control turnover and promotes a higher level of personal motivation and production.

Supporting the holistic culture, is the desire to offer employees opportunities for professional and personal growth within the Bank. Management first looks to promote within for vacant or newly created positions which has been possible as the bank experiences strong growth.

Orange County Business Bank has a strong sense of responsibility and commitment to the communities that it serves. It is mindful of those responsibilities in the investment of its capital and resources to ensure those communities receive a high level of benefit from the Bank’s operations.

When asked how “real” all of these philosophies are in practice, Victor Guerrero, the Chief Financial Officer, said, “Like most entrepreneurs in Orange County, we try very hard to live up to our standards – which are more or less obvious throughout our larger community of businesses. If this were not the case at our bank or our county, then Orange County would not be as successful as it is.”