

## DealMakers of the Year

## Bank of Santa Barbara gets local owners

In a year when some banks went away, Bank of Santa Barbara, a single-branch operation on Figueroa Street, went local. A group of Santa Barbara investors bought the struggling unit from its Michigan-based parent, cleaned up the balance sheet and shored up reserves with \$2.9 million in fresh capital.

Bank of Santa Barbara had been majority-owned by Capitol Bancorp, a Michigan firm that had owned eight California banks. After suffering a \$28.6 million loss in 2008, Capitol Bancorp in April brought on a consultant to help it unload some of its banks.

In July, a group of Santa Barbara investors headed by veteran banker Eloy Ortega announced that it would buy the Bank of Santa Barbara. An exact price was never disclosed, but the group said it had agreed to pay Capital Bancorp 1.6 times Bank of Santa Barbara's tangible common equity. At Sept. 30, the bank's common stock was valued at \$4.5 million, according to regulatory filings, suggesting a sale price of around \$7.2 million.

### Bank of Santa Barbara

**The Deal:** A group of local investors acquired the bank.

**The Numbers:** Filings suggest the price tag was about \$7.2 million.

**Fast Fact:** The investors included the Orfalea Family Foundation and the Hutton Foundation.

**Headquarters:** Santa Barbara

### Banking

Moreover, the group of investors — which included the Orfalea Family Foundation, the Hutton Foundation and Tim and Bernie Marquez of oil firm Venoco — put an additional \$2.9 million into Bank of Santa Barbara's coffers. At a time when

federal regulators are keeping a close watch on capital levels at all banks, that move brought Bank of Santa Barbara's total risk-based capital ratio to about 13.5 and its tier-one risk-based capital to 12.5 percent, compared with regulatory standards of 10 percent and 6 percent, respectively.

"We feel this is a real opportunity to get into a sound financial institution because so many of our competitors are out of the market for various and sundry reasons," Ortega told the Business Times in November, when the deal officially closed. "We think there's a big need in the community for a solid bank like this that's willing to do business."

Ortega said the new management team would target small and mid-sized businesses. Specifically, Ortega said the bank would be upgrading its online and back-end operations to offer services that could compete with bigger banks but that would be targeted at smaller organizations such as medical and dental practices and non-profit groups.

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**Eloy Ortega**  
CEO, Bank of Santa Barbara

Ortega also said that the bank's coming under local control would result in hires. He plans to bring on a chief financial officer and one administrative worker.

At Sept. 30, the most recent date for which figures were available, the bank had about \$60 million in assets. It also had racked up a \$1.3 million loss so far in 2009.

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## VCBB answered call to raise \$4 million

As banks were feeling the pinch from the downturn and regulatory agencies started getting more aggressive in late 2009, one tri-county bank made headlines when it managed to secure millions in capital.

Just six months ago, Oxnard's Ventura County Business Bank President and Chief Executive Gerald Lukiewski was scrambling to find capital before his FDIC-imposed December deadline. But in September he signed a stock purchase agreement with an anonymous investor, giving the bank more than enough capital to go around.

After some lawsuits and less-than-stellar numbers in early 2009, the FDIC slapped the bank with an order to raise \$4 million in capital by Dec. 5. Lukiewski, who had already cut jobs, consolidated operations and adopted a private placement memorandum, found an investor willing to put in some serious capital.

"We now have significantly more than the \$4 million," he told the Business Times in October, unwilling to disclose an exact figure. "The new capital should more than double our capital ratios. It's striking how things happen as quickly as they do."

The investor — who has opted to remain anonymous for now — will be represented on the bank's board by Camarillo businessman Martin Chung, who sits on the board at St. John's Regional Medi-

cal Center.

Lukiewski said he wants to make sure the money trickles back into the community, but his plans for the additional capital don't stop there. Ventura County Business Bank is doing battle on several legal fronts, and Lukiewski thinks the additional capital could persuade at least one of his opponents to settle.

"We've had problems with participation loans that we purchased from other banks, and we're in court to clear those up," he said. "Since we raised our capital, everyone can be sure that we're sticking around."

In September, Lukiewski accused the second-biggest bank in Los Angeles of mismanaging a real estate deal that may have given a U.S. congressman a \$3 million discount on a foreclosed property. He sued Pasadena-based East West Bank in Ventura County Superior Court demanding to know why East West allegedly sold a foreclosed condominium project for less than its appraised value. The Oxnard bank alleges it had an interest in the property, which ended up in the hands of U.S. Rep. Darrell Issa, a Republican from Vista.

"East West made it impossible for us to minimize our loss on the loan because they didn't maximize the recovery from the collateral," Lukiewski said in November. "Participation loans like this one were ruining our capital" before the September capital infusion.