

Money Train

What It Takes to Open a Bank

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Raising money to start a business is never easy, but what happens when you're raising money to lend it out? In other words, how do you start a bank?

Brian Horton and John Black recently gained firsthand experience. In June, the two former veterans of Mellon 1st Business Bank debuted 1st Enterprise, a Downtown Los Angeles-based institution with a staff of 20. Horton, president of 1st Enterprise, and Black, the CEO, raised \$27.5 million to launch the business, which is aimed at the mid-level market in Los Angeles and Orange counties, including Downtown entrepreneurs.

In the bank's office on the second floor of a historic building at 818 Seventh St., Horton and Black discussed their vision, and the challenges of the modern market.

Q: So how do you start a bank?

Horton: There are several stages to opening up a bank. We went about it by putting together the founders group that consisted of 75 individuals. We put out the initial money to cover the pre-opening expenses and then put together the board of directors.

Black: I think the biggest thing is that you don't even contemplate this if you don't have considerable experience in the market that you want to serve. Brian and I each had nearly 25 years of experience, 17 of which was at the same bank working with the small- to mid-size business market in Los Angeles and Orange County.

Q: Why did you decide to start 1st Enterprise?

Black: The fact is that there are very few banks — you can count them on one hand — that have the experience, the staff and the depth of relationships and the knowledge of the market with which to serve the entrepreneurial businessperson in this marketplace. The major banks talk about it, the smaller banks start with very limited, specialized niches or they cobble

together people from all over.

So really, what motivated us was that we saw the timing and opportunities all lining up.

Horton: We did this at this time because we felt that if we waited any longer there was a chance that we might not be able to assemble the quality of team that we have assembled here today.

Q: Who is your target clientele?

Black: Manufacturers, wholesaler services and businesses typically privately held or managed with revenues from \$2 million annually up to about \$100 million, headquartered in Los Angeles or Orange County. The small-sized entrepreneurial type of business typically founded by and managed by the owner.

Q: Why did you decide to locate in Downtown?

Black: There are a lot of answers to that. We do not see ourselves as a small startup bank. We are a Downtown-headquartered, commercial business bank that will serve a broad market area.

I think people are a lot more excited about coming to Downtown today than they were five years ago, and in five years they will be even more excited... It gives us a presence, a central place to plant the flag from which we can go out into any marketplace.

Horton: If you look at our geographic expansion plans down the road, we will open regional offices in different areas. If you look at the center of it all, it's Downtown L.A. We thought that for long-term expansion, this is really the right place to be.

Q: What differentiates you from other new banks?

Black: We're the first to put together the kind of team that we've put together. We're not a specialized market bank and we believe that our team has more experience at doing this than any of the other recent startups.

Q: What challenges have you encountered?

Black: Banking is a hugely competitive industry, everybody is looking to grow, everybody is competing for talent. The biggest challenge is finding talent, and we have been fortunate enough to start out with a very strong group. We don't need to go out to recruit over the coming years to grow the bank.



photo by Gary Leonard

Brian Horton (left) and John Black raised \$27.5 million to start the new Downtown-based bank 1st Enterprise.

Q: So if I'm running a \$2 million company Downtown and I want service, how does it work?

Black: Principally, we come to you. We would come out and call on you in your office, we would get to know your business, get to know your staff, your industry, everything that you require from a bank, and your plans going forward in the future expansion-wise.

Then we would develop a proposal about how we would meet all of those needs and then some. Once you agree to come with us, we establish relationship that includes depository, cash management, Internet banking services and a daily courier service. It's a full-service, turnkey banking operation.

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