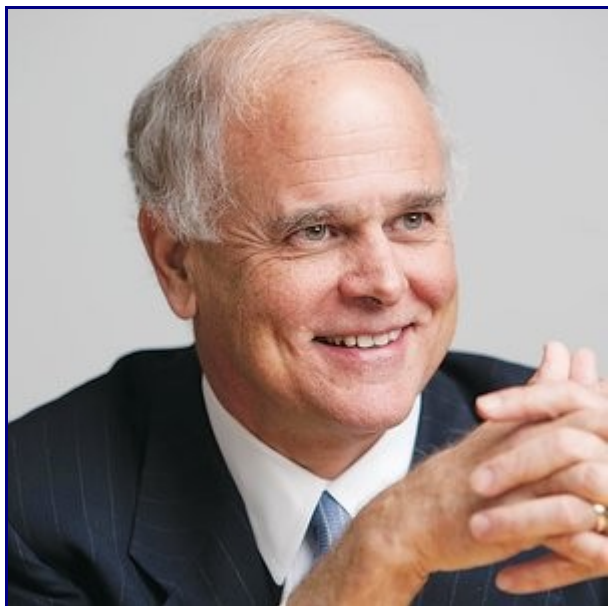


Los Angeles Business Journal

Local Bank in State of Growth With Arizona Pickups

Grandpoint has acquired four institutions since mid-June.



Courtesy Photo

Don Griffith: Looking for opportunities.

By Richard Clough

Monday, August 23, 2010

Just two months after launching its first bank in downtown Los Angeles, Grandpoint Capital Inc. is making plans to expand out of state in the wake of a pair of Arizona acquisitions last week.

The holding company said it will acquire the one-branch Southern Arizona Community Bank as well as the main office of Bank of Tucson. The branches will operate under the Bank of Tucson name and will remain separate from the new Grandpoint Bank in Los Angeles.

After the close of the deal, into which Grandpoint Capital will put nearly \$40 million, Bank of Tucson will have total assets of about \$270 million.

Flush with cash after a nearly two-year fundraising effort, Grandpoint has now acquired four separate banks since mid-June and has plans to open yet another branch in the South Bay in coming months. With the banking industry in flux after the financial crisis and recession, Chief Executive Don Griffith said Grandpoint won't hesitate to use its capital if more growth opportunities arise.

"This is a moment in time where there are some opportunities," Griffith said. "We don't need acquisitions; we could grow quite well with what we've got. (But) if something comes up, of course we'll take a look."

Though all of the company's acquisitions thus far have involved open institutions, Griffith said he would consider buying a failed bank from the Federal Deposit Insurance Corp.

On June 18, Grandpoint completed its first acquisition, Santa Ana Business Bank, which was converted

into Grandpoint Bank. In July, the company announced the acquisition of Encino's First Commerce Bank, which will be merged into the L.A. bank. The deal will leave the combined bank with about \$360 million in assets.

The two Arizona acquisitions, as well as the First Commerce purchase, are expected to close by the end of the year.

Alex Cappello, managing director of Santa Monica investment bank Cappello Capital Corp., said bank failures have been so prevalent over the past several years that there has been little open-bank merger and acquisition activity. He said Grandpoint's moves highlight how activity has returned.

"A year ago, everybody was frozen in place," said Cappello. "Now, there's just starting to be a lot of M&A activity in the banking sector."

Indeed, Griffith said that Grandpoint still has a large reserve of capital that could be used for additional acquisitions. Even after the four purchases, it has deployed less than half of the \$335 million raised since the holding company's inception in late 2008. But analysts caution against expanding too rapidly.

Bert Ely, a bank consultant in Alexandria, Va., said Grandpoint may need to conserve resources in case problems emerge later on at the acquired institutions. Even good acquisitions can turn sour if management gets spread too thin.

"The concerns that I would have are the speed of the acquisitions, the geographical spread and being able to get on top of them," Ely said.

Griffith said that Grandpoint's strategy to minimize that risk involves keeping the Arizona and California operations separate, which will eliminate many of the challenges that come with integration. Grandpoint also will leave much of the Arizona branch management in place, including current Bank of Tucson Chief Executive Mike Hannley.

"Right now I have an infrastructure of people and a board (in Arizona) that can manage that bank more effectively over there than I could from L.A.," Griffith said. "It's easier to own multiple banks."