

# Former Arcturus CEO Is Challenging His Termination

■ By JARED WHITLOCK

**Joseph Payne** is challenging the legality of **Arcturus Therapeutics** firing him as president and CEO of the company, according to a Feb. 6 letter filed with the **U.S. Securities and Exchange Commission**.

The letter, from a law firm representing Payne, demands that the San Diego company reverse the decision and reinstate him. It claims four board members passed a resolution terminating Payne without such authority, and then presented the resolution at a board meeting despite it not being on the agenda.

Payne wasn't invited to the meeting, and was later physically removed from the company premises, the letter alleges.

"The four directors are not acting in the best interests of the company, and are in fact acting to seize control of the company and thus advance their personal and conflicting interests," states the letter.

Arcturus reported Feb. 2 that its board terminated Payne and named **Mark Herbert** as interim president. The company did not disclose why Payne was fired, only that the announcement is "not related to Arcturus' operational performance, ongoing programs, financial condition or financial reporting."



Joseph Payne

A Feb. 6 company statement went into further detail.

"Mr. Payne has demonstrated that he is unable to put the needs of the company and its shareholders ahead of his own self-interest," it said. "Our board of directors and management team are committed to acting in the best interest of shareholders and enhancing long-term value for all shareholders, and we will continue to take the actions that we believe will enable us to achieve this objective."

The firm **Barnea, Jaffa, Lande & Co.**, which is representing Payne, did not return a request to comment.

Tension appears to have been related to Arcturus three months ago merging

with **Alcobra**, previously based in Israel. The letter claims poor corporate governance ever since the deal.

The merger provided Arcturus with capital — the combined companies in November had net cash of about \$50.1 million — for use in funding research and development of RNA medicines in areas such as liver and infectious diseases.

Arcturus essentially took over, as Alcobra moved to San Diego and Arcturus executives led the company.

Payne founded Arcturus in 2013, according to his **LinkedIn** page.

Herbert, who will take over immediately, joined Arcturus in 2015, having previously served as vice president of business development and alliance management.

# Local Bank Sees Market Full of Opportunity and Big Targets

## BANKING: Emphasizes Deposit Relationship, Aims To Compete With Big Banks

■ By SARAH DE CRESCENZO

Roughly a decade after moving its headquarters from Ramona to San Diego, the **Bank of Southern California** has grown to nearly half a billion dollars in assets and expanded into a third county.

The bank was launched as Ramona National Bank in 2001, but struggled. Rebranded as First Business Bank in 2006, the bank relocated from Ramona to San Diego in 2008 and adopted its current moniker in 2010.

Today, Bank of Southern California CEO **Nathan Rogge** says his bank has achieved the size it needs to steal back some of the market share the big banks have accumulated since the recession, also an aim of other community banks.

That wasn't always the case. Rogge said Bank of Southern California had some luck in that its rebirth started before the recession hit.

"We took the little bank and basically restarted it," he said. That included a recapitalization, a shakeup of its board of directors and a relocation of headquarters to a San Diego address. The changes



Nathan Rogge

focused the bank's attention on small to medium-sized businesses.

"We had two years to get in here and do things right, so when the recession hit, we were overcapitalized, we'd cleared out a lot of the construction and development type lending ... It doesn't mean we didn't take our lumps, but the bank was far better positioned," Rogge said.

### Recession Changes Landscape

Rogge believes industry consolidation in the wake of the recession pushed some business customers in Southern California into the arms of the nation's largest banks that have a local presence.

In 2008, there were more than 7,000 commercial banks in the U.S. But as of midyear 2017, there were about 5,000, according to the latest data from the **Federal Deposit Insurance Corp.**

"I worry a little that people forget that the community banks might be a viable option for their business," Rogge said. "I would argue that three-quarters of the business clients (big banks) have are not at the bank that might be a best fit for them."

### Local Banks See Opportunity

Other local bankers have said they also see opportunity for growth in the region.

Last year, **CalPrivate Bank** (then called San Diego Private Bank) opened its first branch in Los Angeles. It rebranded this year to reflect its goal of further geographic expansion.

San Diego's **Endeavor Bank**, one of the

first new banks to open in the U.S. since the recession, debuted in January.

Bank of Southern California is on track to grow by \$100 million in 2018, Rogge estimated.

"You could add another 10 banks and there still would be plenty of business," he said.

Recently the bank opened a production office in Orange County, in the city of Orange - its first physical site in that county. The bank, which has about 75 employees, operates seven branches in San Diego and Riverside counties.

### O.C. Market

"The Orange County market is attractive, not only because of its proximity to the bank's existing footprint, but also because of the number of thriving and prosperous businesses in the region left unserved by larger regional and national banks," Rogge said.

To differentiate from competitors, he said the bank makes a point of focusing on the experience its customers have when interacting with the bank.

"A lot of times people think about the loan, and getting the best interest rate," Rogge said. "From our perspective, we really think the best client for Bank of Southern California has more to do with the deposit relationship. You get a loan maybe once every couple years, but you're dealing with a bank on almost daily basis on your deposits."

Most, however, do so without visiting a branch.

Bank of Southern California branches typically have a handful of desks, with bankers that can assist with most issues; distinct from the rapidly fading model of rows of tellers.

Still, not many customers visit in person.

"It's more of a flag in the marketplace," Rogge said.

Now that the bank has the resources, Rogge said he plans to institute a training program for new hires, similar to what he went through in his first job as a teller at **Wells Fargo**, to ensure clients leave satisfied.

### Customer Experience

"We spend a lot of time thinking about customer experience. ... Hopefully that's a big differentiator not just in the short run, but in the long run," he said. "We have a formalized client experience strategic plan where we sit down and think about, if you're a business client, what does that feel like? How do we simplify it? How could be make it easier?"

The bank's growth also means it can now make larger and more complicated loans than it has been able to previously, which makes it an option for bankers for whom it wasn't previously an option, Rogge said.

"We are starting to get enough critical mass that we can be opening up things organically," he said. "It's a good story that, particularly, seasoned bankers like to come to. ... We're getting some experience and talent."

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