

BUSINESS



CHRISTINE COTTER, STAFF PHOTOGRAPHER

From left, Peter Van de Zilver, Craig von Peters, David Young, Cyrille Conseil and Aimee Reilly are with An-field Group LLC in Newport Beach. Young, the founder, is a Pimco alumnus, as are Van de Zilver and Conseil.

LIFE AFTER PIMCO

The firm's rough-and-tumble culture serves its many spinoffs well.

By **MARNI USHEROFF**
STAFF WRITER

Just days before Christmas in 2010, Erik Velicer sat on the bed in his midtown Manhattan hotel room watching snow choke New York City's streets. He'd been working out of Pimco's New York office for several weeks and was hoping to fly back to San Clemente to be with his wife and 10-year-old son over the holidays. But a snowstorm had scuttled those plans.

He phoned his wife to tell her

he'd be gone another week – no point trying to get home later if he'd have to immediately come back. And she told him she'd had it, she was leaving him.

That was when Velicer decided to leave it all – the six- to seven-figure compensation, brilliant co-workers and the firm's access to leaders of foreign countries.

Velicer had loved the last dozen years at Pimco. He'd filled his passport working in London and traveling to Munich, Singapore and Hong Kong. But the nonstop 16-hour workdays had taken a toll

on his personal life and made him a virtual stranger to his child.

"There's no such thing as stepping into a lighter role at Pimco," Velicer, 48, says. He now teaches undergraduate courses in the business and management schools at Cal State Fullerton.

No one has watched the recent drama inside Pimco more closely than the many bond and stock traders and other financial executives who have left it in recent years.

SEE **PIMCO** • PAGE 3

Opus IPO debuts at \$30 per share

Orange County's largest bank estimates the net proceeds will top \$76 million.

Opus Bank, Orange County's largest locally headquartered bank, debuted on the Nasdaq exchange Wednesday after pricing its common stock at \$30 per share.

The Irvine-based bank said it will sell about 2.8 million shares during its initial public offering, while its shareholders will sell about 2.3 million shares. Underwriters will have a 30-day option to purchase up to roughly 700,000 more shares at the IPO price, less an underwriting discount. The offering is expected to close April 22.

The stock was ultimately priced slightly under the \$31-\$34 per share range the bank originally anticipated. Amid a recent market downturn and sell-off in tech stocks, six IPOs ended last week below their issue price. Listed under the symbol "OPB," Opus' stock closed slightly down Wednesday at \$29.33 per share, while the Nasdaq rose 1.29 percent.

Opus estimates net proceeds from its IPO will be about \$76.3 million, which it intends to use for growth in the Western United States, general corporate purposes and a contribution to the Opus Community Foundation.

An FDIC-insured bank, Opus had over \$3.7 billion in total assets, \$2.9 billion in total loans and \$2.7 bil-

SEE **OPUS** • PAGE 8

BRAVING THE CROWD

Couple fund startup with wedding 'gifts'

By **IAN HAMILTON**
STAFF WRITER

Southern California entrepreneurs are some of the most active in seeking financial backing on Kickstarter, Indiegogo and other crowdfunding websites. Today, as part of an occasional series on such startups, we look at magnetic kids jewelry and the couple who funded their fledgling business idea through such a website in lieu of a wedding registry.

What it is: Clicks Charms, magnetic jewelry for kids.

Who's behind it: Andrew Arentowicz and fiancée Andrea Correa of Brentwood.

Backstory: A little more than 150 people paid a total of more than \$20,000 to jump-start this idea that could turn kids into entrepreneurs selling magnetic jewelry and charms.

Status: Fundraising ends Friday.

Perks: For \$30, Arentowicz and Correa promise a "Clicks Charms starter set" with a tin box with a

SEE **REGISTRY** • PAGE 8

MORE INSIDE

'KILL SWITCH' AGREEMENT

Smartphone makers and wireless companies agreed to offer technology next year that would let customers remotely wipe data from their devices and render them inoperable when stolen. **Page 8**

GOOGLE DISAPPOINTS

Google's revenue came in \$100 million short of expectations, but the chief executive called it "another great quarter." **Page 8**

STOCKS HIGHER FOR 3RD DAY

Investors drove stock prices to their highest level in a week. The Dow gained 162 points. **Page 5**

MARKET RECAP



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10-year Treasury:
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TOUGH CULTURE AT PIMCO

FROM PAGE 1

The success those alumni have found outside Pimco is a testimony to the firm's high-intensity, high-rewards atmosphere, which is well-known for attracting and churning out top talent. Many former Pimco traders and other executives have started their own shops or accepted prestigious finance positions, and in doing so have re-shaped Southern California's investment community.

For years, Newport Beach-based Pacific Investment Management Co. has been known for its sterling investment track record. In 2010, co-founder Bill Gross was named fixed-income manager of the decade by Morningstar, after he grew Pimco's Total Return fund from about \$30 billion to \$200 billion in assets.

Out of the debris of the financial crisis, the firm's reputation only grew stronger. Gross and CEO Mohamed El-Erian were credited with coining the phrase "new normal," which captured the challenges of a new era of slower growth in developed countries.

But lately Pimco's crown has slipped. El-Erian, 55, once the "heir apparent" to Gross, 70, quit unexpectedly in January amid reports of tensions between the two. In 2013, Pimco's flagship Total Return fund was down 1.9 percent, its worst annual performance since 1994, trailing 60 percent of its peers, according to Morningstar.

Some institutional investors, such as the Orange County Employees Retirement System, have put investments with the firm on a "watch list" or are closely monitoring Pimco in light of recent management changes. OCERS said the added scrutiny is routine.

Those Pimco alumni who would discuss it shrugged off reports of turmoil within the firm.

"Bill's the guy Bill's always been, and let me no doubt, he's a wizard," says David Young, a former executive vice president and head of Pimco's account management group in London who founded high-end investment manager Anfield Group LLC in Newport Beach.

"Forty years into it, after a seemingly never-ending string of victories and top quartile performance, with an environment chock-full of top, top, top performers, (it's) guaranteed at some point there's going to be some friction and tension and elbows."

The lure of working at Pimco goes beyond the huge paychecks. (Though those are considerable. Gross reportedly is paid \$200 million a year.) The company - with more than 2,400 employees, nearly \$2 trillion in assets under management and 13 offices spread across North America, Europe and Asia - is hugely influential in everything from global finance to home finance and personal retirement funds.

SHAPING THE LANDSCAPE

Timothy Spangler, a Wall Street lawyer who now practices in Los Angeles, compares the role Pimco plays in seeding today's regional financial scene to the impact Drexel Burnham Lambert had under Michael Milken in the 1980s, when the junk-bond house fueled an investment and merger boom. The Drexel diaspora founded a number of investment management firms that outlived Drexel, which collapsed under a massive securities fraud settlement with the government.

"Pimco has had an equally important role reinforcing Los Angeles and Orange County as a bond and debt town," Spangler says. "Both have had a huge im-



PAUL BERSEBACH, STAFF PHOTOGRAPHER

David Young, a former executive vice president at Pimco, shown in Newport Beach. says employees there "develop a certain career and reputational critical mass." Young left to start his own investment management company.

pact on the human capital and the intellectual capital here in Southern California."

Every few years, another small group leaves the firm with what Young calls a "Pimco retirement," taking advantage of equity and options whose value and vesting were crystallized by the purchase of Pimco by German insurer Allianz SE in 2000. Pimco began as a unit of Pacific Mutual Life Insurance Co. in Los Angeles.

12-HOUR DAYS AND WEEKENDS

"They earn their bones at Pimco, they develop a certain career and reputational critical mass," says Young, explaining some alumni's motivation for leaving. "It's a very hard place to work."

"Imagine spending 10 hours on a Friday, 12 or more hours every other day and a half a day on a weekend under that degree of pressure with those kinds of challenges and demands being placed on you in, frankly, not always a friendly way. Only because it's a highly competitive, driven, only-the-best-will-do environment."

"But I don't think there's anything wrong with that per se... if you get drafted to play for the Seahawks, you know what you're in for."

After 15 years working at Pimco's offices in Newport Beach and London, Young says he had a very friendly separation. He started teaching MBAs at UC Irvine's Merage School of Business while researching his next step and working out every day, he says with a smile.

"It was fantastic. More than one of those days ended with a margarita by the pool."

In 2009, Young, now 51, founded Anfield Group. The Newport Beach firm has about \$100 million in assets under management, including a roughly \$20 million bond mutual fund that launched in 2013. His firm employs 13 people, including two other Pimco alumni.

"It is at the same time scary and completely exhilarating and invigorating," Young says. "Today it's exhilarating and invigorating because a bunch of money just came into the mutual fund. But now on Monday or Tuesday I think I'm going to get a pretty big bill from our lawyer for a bunch of stuff ... and come back and talk to me then. It'll be terrifying again."

John Brynjolfsson, a former portfolio manager and managing director, barely took a breath after leaving Pimco in 2008. He started Armored Wolf, an Irvine fund management firm, later that year.

Then the markets crashed.

"My funds were very hot when I left Pimco, and I wanted to strike while the

iron was hot," Brynjolfsson, 50, says. "By the time we launched our firm, the financial crisis was in full free-fall. It was challenging to get investors to jump into the risk of a new firm. But on the other hand, there were virtually no other funds being launched. There was huge support from vendors and Wall Street for kind of a ray of hope, so to speak, in new business starting."

Brynjolfsson says he already knew he wanted to start his own firm when he arrived at Pimco at 25, straight out of grad school at MIT. "I thought I could learn the ropes of money management in a year or two, and I think it took me six months to realize it was a lot more complicated." He stayed at Pimco for 19 years.

Armored Wolf has about \$1 billion in client assets from managing six funds, according to Brynjolfsson. The firm employs 20 people, including a former Pimco general counsel.

Being on the West Coast allows Brynjolfsson to catch both the end of Europe's day and the beginning of Asia's during a normal business day, which runs 6 a.m. to 3 p.m. Fortunately, he has enjoyed rising early since high school.

Armored Wolf shares an Irvine office suite with another Pimco alum, Greg Lai, 49, who co-founded Affinity Investment Advisors, a U.S. equities manager.

Lai started as an analyst at Pimco, around the same time as Brynjolfsson, after getting his MBA at UC Irvine. He eventually added co-management of equity portfolios to his duties. Lai left after four years in 1992 to found Affinity, which employs 10 people and manages about \$900 million in assets.

"That's a big shock. When you come out of a large firm, you don't realize how much the firm brings to the process both in sales and infrastructure and reputation," Lai says.

NO WINGING IT

The same intense culture that drives some out of Pimco is credited by other alumni with giving them a leg up in new ventures.

"Nothing that I ever encountered in an external debate with senior people of my competitors was anything like the internal debate" at Pimco, says David Hinman, cofounder of Newport Beach money management firm SW Asset Management LLC.

Hinman, 47, spent almost 10 years at Pimco working in various roles to help build out and manage the firm's credit-oriented portfolios, including structured products like collateralized loan obligations. He is one of two Pimco alums at SW Asset Management, which focuses on bonds in emerging markets and manages roughly \$400 million in as-

sets.

Hinman has his own sports analogy to describe life at Pimco.

"You have excruciating practices, so you're actually glad when it's a game because you're so well-prepared that it's easier than practice," Hinman says.

"That culture is knowing that if you're sitting around making a case for something that is your area of specialty to 10 people in a room, any person could pull something out at any moment and completely contradict what you're saying with greater firepower and more data."

"The demanding nature and the absolute focus on success is what bred so many spinoffs."

Not all of those spinoffs are mini-Pimcos, however.

Velicer, who left Pimco in

2012 as his marriage was ending, recalls what an executive coach had told him about his son while he was working there: "This kid's growing up, and he doesn't even know his father. You told me the other day you came home from New York, and he didn't even recognize you."

Today, in addition to teaching, Velicer owns a pizza parlor in San Clemente, which he runs with his son. He credits the discipline and focus he gained from Pimco with helping him turn around his life so quickly.

"It gave me the confidence to self-actualize," Velicer says. "I re-created my life within six months."

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'GROSS IS A GROSS IS A GROSS'

Bill Gross, the co-founder of Pimco, is a former professional blackjack



Gross

player, a yoga devotee and a frequent guest on business TV. He also is well-

known for his quirks:

- An article earlier this year in the Wall Street Journal described Gross comparing his investing track record to exiting CEO Mohamed El-Erian: "If only Mohamed would let me, I could run all the \$2 trillion (Pimco's total assets) myself...I'm Secretariat," he said, referring to the legendary race horse. "Why would you bet on anyone other than Secretariat?"

- The same article described Gross as discouraging employees to speak to him or make eye contact on the trading floor in the morning. He later told CNBC "I'm not a morning person."

- He tends to speak of himself in the third person. "Our Gross has not been a happy camper for the last two months," he told a Businessweek writer. In the same piece, he channeled Gertrude Stein: "Gross is a Gross is a Gross."

- In his monthly investment letters, considered must-reads in the industry, Gross has animated his commentary by comparing the bond market to the Battle of the Somme or eulogizing his recently departed cat, Bob. In a 2009 letter titled "Hairy Lips Sink Ships," Gross ended an imagined testimony before Congress about the financial crisis with an explanation of why he shaved his then-iconic mustache.

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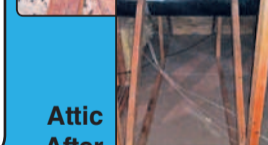
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