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# Strong liquid currency sealed the deal between Summit Community, Horizon Bancorp

By [Kiah Lau Haslett](#)

John Abbott did not form [Summit Community Bank](#) in 2002 with the intent to sell, but when a potential buyer came around with strong earnings and an actively traded, robust currency, it was a partnership he could not pass up.

The acquisition of [SCB Bancorp Inc.](#), the parent company of Summit Community, by Michigan City, Ind.-based [Horizon Bancorp](#) will afford the East Lansing, Mich.-based community bank a more liquid stock, an expansion of services, more locations in the metro area and a higher lending limit, executives told SNL Financial. The \$18.4 million [deal](#), announced in a Nov. 13 press release, offers Horizon a strong franchise with clean credit in a new footprint that is stable and desirable, they said.

Abbott, Summit's president and CEO, formed the bank with some former colleagues because they saw a hole for a local bank in the community after the Lansing, Mich.-area thrift where they worked was sold in 1999. Summit was not founded with the intention of eventually selling, but its strong earnings and recovery after the recession put it on the radar of other banks interested in a combination, although management never pursued the deals because they doubted the partnership would increase shareholder value, Abbott said.

But management paid attention when Horizon Bancorp approached them, Abbott said. Summit's shareholders had held onto their shares for a decade because the closely held company had an illiquid stock. The Indiana bank, which has \$1.78 billion in assets, had robust earnings, a higher dividend and strong capital levels, but "most important, they had a currency that was actively traded on the stock market," Abbott said.

Abbott will remain on the management team at Horizon and said that as the economy improves, more deals like the one involving his bank will take place as acquirers become comfortable deploying capital.

"I would assume most banks our size that are privately held have very similar issues, like compliance," he said. "It's difficult for banks our size to manage that aspect. It's expensive and makes it tougher to compete, so I think for sure that activity will pick up."

The Summit team engaged Donnelly Penman & Partners to conduct an auction to ensure it was receiving a fair price, and the potential sale generated "keen interest" in the bank both on the institution level and its location, said Andrew Christians, vice president of financial institutions at Donnelly Penman. The firm is no stranger to either the buyer or seller: John Donnelly, managing director of the financial institution group, helped Abbott establish Summit as a de novo and with the bank's capital raises, and worked with Horizon when it [acquired Heartland Bancshares Inc.](#) in 2012.

While Michigan has gotten somewhat of a bad reputation because of Detroit, parts of it have attracted greater interest from Indiana and Ohio banks because of growth prospects and demographic mix. Potential areas of interest include Grand Rapids, Traverse City and Ann Arbor, Donnelly said.

"This is a classic what I would call 'upstream merger,' where the seller gets a good price and good liquidity but is still a very meaningful part of the new organization. It's a new market for Horizon so it's a win-win in that they need the management team of SCB to augment what they're already doing in Michigan," he said. "This is a fantastic opportunity for commercial lending at Summit, and they're very excited for bigger deals and more deals because of the [higher lending] limit and the sophistication Horizon brings to the table."

The management team of an acquired bank is an important consideration for Horizon, said Craig Dwight, its chairman, president and CEO. He said the company seeks to hire people from local markets and refrains from relocating employees to unfamiliar ones. The bank is also an active acquirer, as this is its third deal since 2009, and has operated in southwest Michigan since 2004, he said.

He said Horizon management was impressed by the strength of Summit's management team, and that Summit's asset quality was clean with minimal marks. Horizon also liked that the East Lansing environment afforded stability and future economic growth. A partnership would introduce a larger lending limit to the well-networked bank, and he believes Horizon can take market share from the money centers and super-regionals in the area, such as [Fifth Third Bancorp](#), [PNC Financial Services Group Inc.](#), [FirstMerit Corp.](#), [Comerica Inc.](#) and [JPMorgan Chase & Co.](#)

Given the size of the seller relative to the buyer, Horizon declined to release figures on the projected tangible book value dilution or expected accretion, other than to say that the deal is expected to be accretive in its first year. Both current locations of Summit are to remain open, and Dwight anticipates expanding in the city. Additionally, Horizon is still on the lookout to do deals.