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Bank of Ann Arbor purchase could signal future growth

By [Tom Henderson](#)



Photo by Bank of Ann Arbor In 2014, the Bank of Ann Arbor did a \$4 million renovation and 10,000-square-foot expansion of its downtown Ann Arbor headquarters, adding a third floor.

The **Bank of Ann Arbor** has been cautious about expansion, sticking mostly to its Washtenaw County roots and sticking a toe into Wayne County in the 20 years since its founding.

Its move into Oakland County with the announcement last week that it had agreed to buy the **Bank of Birmingham** and its parent company, **Birmingham Bloomfield Bancshares Inc.**, signals a change in philosophy.

The all-cash transaction — for \$16.50 a share, or about \$33.3 million — also represents a sizable return for the Bank of Birmingham's original investors, who launched the bank in 2006 with an initial public offering of \$13 million only to see share prices plummet to \$3 at the bottom of the recession.

The deal is subject to regulatory approval and the approval of Birmingham Bloomfield shareholders, and is expected to close before the end of the year. *Crain's* first reported the news Wednesday.

The Bank of Ann Arbor was founded in 1996 by prominent Ann Arbor real estate developer Bill Martin. (*See related story.*)

In 2010, the bank entered Wayne County when it bought the assets of Plymouth-based **New Liberty Bank** when the latter was shut down by federal regulators, as one of many local community banks that didn't survive the recession.

In 2013, the Bank of Ann Arbor expanded into Saline, rehabbing a branch it bought from **Bank of America**. The same year, it bought **Ervin Leasing**, a 35-year-old Ann Arbor company that provided equipment financing for businesses and was rechristened **UniFi Equipment Finance**.

In 2014, the bank did a \$4 million renovation and 10,000-square-foot expansion of its downtown Ann Arbor headquarters, adding a third floor.

More expansion is likely but not imminent, Tim Marshall, the bank's president and CEO, told *Crain's* Thursday. He said expansion could take the form of adding bank branches or loan offices, or a combination, in northern or western Oakland County.

He also said expansion into downtown Detroit might also make sense, given the fast-growing tech community there and the Bank of Ann Arbor's technology industry group, which finances tech and venture capital companies.

"Longer term, everything is on the table for evaluation;" but for now, the focus will be on this transaction and minimizing the impact on any existing customers of the Bank of Birmingham," Marshall said.

Marshall said the impact on Bank of Birmingham customers and employees will be minimized to a great degree because both banks and their online and mobile platforms are powered by the same technology backbone, provided by Brookfield, Wis.-based **Fiserv Inc.**

"Downtown Detroit is certainly on the table and open for future discussions and evaluation," he said. "We have clearly understood the dynamics of downtown Detroit, especially as it relates to technology, life sciences and startups. We see what's going on, but at this point, we haven't made any decisions for what makes sense for the technology industry group."

Rob Farr, president of the Bank of Birmingham, will remain president of Oakland County operations after the deal closes. He said the acquisition would provide his customers a wider range of lending and wealth-management services and the county's growing tech community access to the Bank of Ann Arbor's tech group.

The Bank of Ann Arbor for 14 years has had a tech group, headed by Michael Cole, who had been head of the technology group in Los Angeles for the **Royal Bank of Canada**.

Two of the bank's 12 directors have a strong technology background — Jan Garfinkle, founder and managing director of **Arboretum Ventures**, which has had several successful exits from tech startups it helped launch, and Jeffrey Williams, the CEO of two of Garfinkle's companies, **HandyLab Inc.** and **Accuri Cytometers Inc.**, when they were sold.

Cole's group does debt financing for companies backed by venture capital, provides cash management and 401(k) services, makes bridge loans to companies getting other financing and provides lines of credit to venture capital firms.

From the start, the group looked beyond Ann Arbor, and Josh Linkner was one of its first customers when he was with **ePrize**.

The group has also provided access to capital to several tech companies being incubated at Detroit's **TechTown**.

The acquisition will give the Bank of Ann Arbor about \$2.5 billion in assets and assets under management, about 225 employees and eight branches.

The Bank of Birmingham, founded as part of a local boom in community banking just before the recession hit, has about 40 employees, a single branch on Woodward Avenue, about \$274 million in assets and \$250 million in deposits.

Last year, the Bank of Ann Arbor had record net income of \$14.2 million, up from \$11.6 million.

It hit such milestones as \$1 billion in deposits, \$600 million in commercial loans and \$800 million in total loans. Assets hit \$1.2 billion and were up \$452 million, or 58 percent, in four years.

The Bank of Ann Arbor was advised on the Birmingham deal by New York investment banking firm **Keefe, Bruyette & Woods Inc.** and law firm **Varnum LLP**. Birmingham Bloomfield was advised by Grosse Pointe investment banking firm of **Donnelly Penman & Partners** and law firm **Warner Norcross & Judd LLP**.

Andrew Christians, a managing director at Donnelly Penman, said the deal represented a substantial return for Birmingham Bloomfield investors.



Photo by Bank of Ann Arbor Bank of Ann Arbor President and CEO Tim Marshall said more expansion is not imminent, though long term "everything is on the table for evaluation."

"Unfortunately for the bank, it was started in 2006, which means they got thrown into the depths of the recession pretty quickly. It took them a lot longer to get going than they'd planned. The stock price was at \$3 at the bottom of the crisis and was at \$9 in the last year," he said.

He said the bank either needed either to raise more equity capital to fund growth or look for a bigger partner with more service offerings, while at the same time returning capital and profits to investors.

"The Bank of Ann Arbor was the best choice," said Christians. "It's at the leading edge in technology, which makes sense given its base in Ann Arbor, with its venture capital and entrepreneurship. And that will filter down to Birmingham now."

Praise from competitors

Marshall's newest competitors — Oakland County bankers — praised him and his bank after the news broke Wednesday.

"It's a great transaction, to be honest with you," said Grant Smith, president and CEO of **Clarkston State Bank**. "Tim Marshall is a first-class guy and a good friend. The Bank of Ann Arbor has been a great success, just a really well-run bank, and it makes sense for them to come into Oakland County."

Patrick Fehring, president and CEO of Farmington Hills-based **Level One Bank**, said the news came as a surprise because the Bank of Ann Arbor has been so focused on Washtenaw County but that it makes sense.

"The bank had done such a great job in Washtenaw County, but Oakland County is a great place to do business," he said. "This signals their growth intentions."

Level One launched in October 2007. Fehring said Marshall was a mentor of his as he prepared to open his own community bank.

"I wanted to network with him," Fehring said. "The Bank of Ann Arbor had been very successful, and I wanted advice. He was very free with his time and sharing the secrets of his success."

Over the years, the two banks have shared participation in larger commercial loans.

Level One is familiar with growth through acquiring community banks in Oakland County. During the recession, it bought the assets of Farmington Hills-based **Paramount Bank** and Farmington Hills-based **Michigan Heritage Bank** when they were shut by regulators, then later bought Novi-based **LotusBank** and Farmington Hills-based **Bank of Michigan**. Level One now has almost \$1.1 billion in assets.

More than a year ago, Level One became a competitor in Ann Arbor when it opened a loan office on State Street downtown.

Will Level One be doing further expansion in Ann Arbor with full-scale branches? "We have no plans beyond what we already have," Fehring said.

Jack Shubitowski, president and CEO of Milford-based **Huron Valley State Bank**, which was launched in 2005, saw the deal as a good-news, bad-news situation.

As a community banker in a state that has seen the loss of dozens of community banks in the last decade, he was saddened to hear that there will be one fewer community bank in Oakland County.

But the good news, he said, was that it was bought by a community bank and not a national or large regional bank scooping up deposits.

"The Bank of Ann Arbor has always been a strong performer and has a record of supporting its community, but we've still lost another community bank."

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