

Arizona Daily Star

After 12-year hiatus, Click back in banking business

Dale Quinn Arizona Daily Star | Posted: Thursday, August 19, 2010 12:00 am |

Tucson car dealer Jim Click Jr., other local investors and a bank holding company headquartered in Los Angeles have purchased the newly combined operations of Bank of Tucson and Southern Arizona Community Bank.

When the roughly \$40 million transaction is complete, both banks will have the name Bank of Tucson.

The sale represents Click's return to the financial industry after the sale of Arizona Bank more than 10 years ago. He had been a major investor and chairman of the board for that bank.

"We're looking forward to getting back into the banking business," Click said in an interview Wednesday.

He will serve as chairman of the board of the combined bank.

Local investors ponied up the cash to cover about 30 percent of the sale announced Wednesday, with Click contributing a significant portion of that amount, said Michael Hannley, Bank of Tucson's president and CEO.

Click would not specify how much he paid. "It was a substantial investment from the Click family," he said.

Los Angeles-based Grandpoint Capital Inc. provided the additional money for the acquisition of the banks from their current holding company, Capitol Bancorp Ltd.

IMPACT FOR TUCSON

Despite a tightening credit market during the recession, Click, who owns more than a dozen auto dealerships here, said he didn't invest in the banks to loosen up lending for car sales.

"Banks don't want car loans that nobody else wants," he said.

Hannley, who launched Bank of Tucson in 1996, will keep his current position, and Southern Arizona Community Bank's president and CEO, John P. Lewis, will serve as vice chair of the consolidated organization.

David T.C. Wright, former president and CEO of Arizona Bank, will chair the new bank's executive committee.

Customers and employees won't be affected by the merger, Hannley said. Leaders of both banks wanted to conduct the transaction in a way that wouldn't cost any employees their jobs.

The new bank will have roughly 75 employees and a board with 12 to 15 members, Hannley said.

Bank leaders are working to widen the company's reach from its two current locations, he said.

"Our plan is to immediately start branching out," Hannley said.

Southern Arizona Community Bank's primary niche has been commercial real estate, but the merger will likely allow the bank to expand its portfolio to small-business loans, Lewis said.

"If we can get new businesses started and get people back to work, we're going to dig out of this recession," Lewis said.

HOW IT CAME ABOUT

Hannley said he approached Click several months ago looking to get out from under the umbrella of Capitol Bancorp.

"I wasn't going to have them go down and take us with them; it was tenuous," Hannley said.

Capitol Bancorp is the largest holder of independent banks across the country, Hannley said, and many of its financial institutions are in troubled markets.

Capitol Chairman and CEO Joseph D. Ried said in a news release that cash from the sale would enhance its balance-sheet strength and help those affiliates currently facing challenges.

While Bank of Tucson and Southern Arizona Community Bank haven't been struggling too much, Hannley said, some financial institutions tied to their holding company have been. The Arizona banks have had to lend support to those struggling affiliates, and Hannley said he was looking for relief from that.

Click was able to get Hannley connected with Grandpoint Capital, which had cash to invest in the Arizona banks.

Lewis said the idea was to bring the two local banks together to increase their financial strength. Both were already two of the healthiest banks in Arizona, he and Hannley said, but their holding company was struggling.

"We found a group of investors that were very serious and had the resources to make this happen," Lewis said.

The transaction, which is still subject to regulatory approval, is expected to be completed this year.

NO BORDER BRANCH

Not included in the sale announced Wednesday was Bank of Tucson's branch office in Nogales, which has \$20.1 million of tangible equity.

The border presents a unique set of circumstances for a bank, and the investors weren't comfortable with obtaining that branch, said Michael Hannley, Bank of Tucson's president and CEO.

THE BANKS' ASSETS

At the end of the first quarter this year, both Bank of Tucson and Southern Arizona Community Bank had ratings of three stars - or adequate - from Florida-based BauerFinancial Inc., a bank rating agency. Bauer's top rating is five stars.

Bank of Tucson had \$213 million in assets with a first-quarter income of \$633,000. Southern Arizona Bank had \$95.2 million in assets and a first-quarter income of \$204,000.

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