Sunburst, C-Bank plan to merge

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Sunburst Bank in Baton Rouge and Commercial National Bank on Friday jointly announced plans to merge through a stock swap transaction, which when completed, will represent the first merger of two Baton Rouge banks.

Together, the two banks count assets of $314.99 million and deposits of $279.51 million, based on their June 30 statements of condition. Under the planned merger, Commercial National Bank, also known as C-Bank, will assume the Sunburst name.

Although the directors of the two banks have entered into a letter of intent to merge, a definitive merger agreement remains to be reached and regulatory and shareholder approval must be granted before the merger is final. Those steps are expected to be completed by year-end, said Pete Boone, president and chief executive officer of Sunburst Bank, Louisiana.

Sunburst and Commercial officials informally began talking about a possible merger over lunch one day, Boone said. Boone has been looking to expand his bank through acquisitions or mergers.

Sunburst previously bid unsuccessfully for at least one other failed bank and had its "antenna up" for a merger partner, he said.

Meanwhile, C-Bank had been looking since February for a new merger opportunity, said Ned Clark, president and chief executive officer of C-Bank in New Orleans.

In 1987, C-Bank had announced plans to merge with First National Bank in Covington, but the merger agreement was later terminated. First National Bank of Covington failed in November 1988.

Clark said the merger with Sunburst will be "greatly beneficial" to C-Bank's 323 shareholders.

"We think Sunburst is a growing opportunity. We think we're getting in on the beginning of a large presence in Louisiana," Clark said.

Boone said: "We anticipate being a player." As part of the merger, Clark will become part of the senior management team at Sunburst, involved with policymaking and heading up the bank's new business development.

Besides the increased customer base, a merger with Commercial Bank also will bring additional shareholders into the Sunburst corporation, Boone said.

"It's important to have ownership," he said. "We need to feel we can be as much of a Louisiana bank unless we have shareholders here."

When C-Bank was formed in 1984, the founders stressed the importance of independent banking and projected C-Bank would count $50 million to $65 million in assets and at least one additional branch location by 1987.

But economic pressures unforeseen in 1984 — such as $9-a-barrel oil in 1986 — stifled those plans. By June 30, 1989, C-Bank's assets stood at $36.7 million. It closed its only branch location, a temporary building on Coursey Boulevard, in September 1988.

The merger calls for a stock swap of C-Bank stock for stock in Grenada Sunburst Systems Corp., the Grenada, Miss.-based parent of Sunburst.

The details and value of the swap aren't final, Boone said, but there will be some assets of C-Bank that won't be exchanged in the merger.

Instead, those assets will be managed by Sunburst for C-Bank shareholders, said Frank Simoneaux, C-Bank chairman.

Although C-Bank has suffered a $205,000 loss this year, its primary capital has remained strong at 6.8 percent of assets at June 30. Primary capital is made up of loan loss reserve and shareholder equity and is a cushion for banks in times of financial stress.

Healthy banks are required to keep a primary capital level of no less than 5.5 percent of assets.

Clark said the merger with Sunburst will be the first merger of two Baton Rouge banks and be one of a handful involving local banks without regulatory assistance.

In late 1988, the Baton Rouge Bank and Trust Co. was recapitalized and became part of Anglo American Bancshares Corp. but only after it received $18 million from the Federal Deposit Insurance Corp. to bring it out of the red.

Also at year end, Premier Bancorp, headquartered in Baton Rouge, merged all of its banks into a single bank holding company. However, that merger, which took no federal aid, simply restructured the bank holding company. It added no new banks.

Sunburst entered Baton Rouge in May 1986 after buying some of the assets and assuming the deposits of Capital Bank & Trust Co. N.A., the bridge bank formed after Capital Bank failed. Sunburst received a $6.27 million discount — meaning its purchase of the assets was discounted by $6.27 million — from the FDIC in the Capital transaction.

In another federally assisted transaction, Metropolitan Bank and Trust Co. failed in November 1986 and was acquired by the Whitney National Bank in New Orleans.

Other Baton Rouge banks have merged with banks without FDIC help, but the mergers included banks outside the Baton Rouge market, such as Fidelity National Bank with Hibernia National Bank, which is headquartered in New Orleans.

Fred Dent, commissioner of state financial institutions, said the pending Sunburst/C-Bank merger shows that the Louisiana banking industry is getting stronger.

"This is a major signal that things are better," Dent said.