

Displaced bank CEOs sue Regions Bank over severance pay

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Regions Financial Corp. has been busy buying up banks in North Georgia, and now the Birmingham, Ala.-based holding company is seeing some legal fallout from its acquisition spree.

Two former CEOs of small North Georgia banks that were acquired by Regions sued the company on April 10 in U.S. District Court in Atlanta, claiming Regions owes them at least \$200,000 each in severance pay. Three other former bank presidents filed similar suits against Regions late last year, and more such suits are expected, said **Richard Robbins**, an attorney with Sutherland, Asbill & Brennan who is representing the plaintiffs in the most recent suit.

William F. DeVane, former CEO of the Bank of Clayton in Clayton, Ga., and David C. King, former CEO of Barrow Bank and Trust Co. in Winder, sued Regions for breach of contract. The two small banks were among 20 banks owned by First National Bancorp of Gainesville, Ga.

Regions acquired First National, and thus the Clayton and Winder banks, in early 1996 for \$647 million. And DeVane and King allege that Regions has violated contracts between them and First National that were legally inherited by Regions.

The "change of control agreements" were struck in September 1995, about six weeks before Regions and First National announced their deal. The agreements were designed to assure the CEOs of First National's banks that "if the holding company was sold, the officers' job titles, duties and responsibilities were not expected to change; if they did, however, the officers would be entitled to substantial payments," according to the lawsuit.

The CEOs' jobs changed dramatically after Regions took over, but Regions has not made the proper payments, the lawsuit alleges.

According to the lawsuit, Regions has taken from the CEOs their control of the banks' investment portfolios and reserves for loans losses; eliminated several positions that reported to the CEOs; significantly reduced the presidents' authority to approve loans; and stripped the executives of their authority to make most promotion and hiring decisions.

In letters and memos attached to King and DeVane's court complaint, Regions Bank of Georgia President

Pete Miller wrote to the CEOs of the former First National banks that "your key responsibilities post merger are not substantially different than pre-merger."

The individual bank CEOs, Miller wrote, still had responsibility for the oversight and management to ensure that their bank met financial and strategic goals.

"Obviously, we honor contracts," said Sam Upchurch, general counsel for Regions.

He said the company will defend against the lawsuits, but declined to comment further because the matters are in litigation.

The three prior lawsuits were also filed by former presidents of banks that were owned by First National: Dennis Burnette of Pickens County Bank in Jasper; Edward Hall of Granite City Bank in Elberton; and John Stafford of the Commercial Bank of Douglasville.

Regions has grown to \$19.8 billion in assets, or about half the size of Wachovia Corp. and two-and-a-half times as big as Bank South Corp. was when it was bought by NationsBank Corp.

Regions completed acquisitions of eight banking companies in 1996, adding \$4 billion in assets. The First National deal accounted for \$3.2 billion of that total.