Execs Who Quit After Merger Merit A Year's Pay, Judge Rules

A federal judge in Atlanta has ordered Regions Financial Corp. to pay $1.4 million in severance and legal fees to six former company executives who claimed the Birmingham, Ala., banking company triggered a change-of-control agreement when it changed their job assignments.

All the executives were presidents at First National Bancorp in Gainesville, Ga., which was a multibank holding company when it was bought by Regions in April 1996. Regions consolidated First National's 18 charters into one bank after closing that deal. The six presidents became area managers.

Regions also reduced the authority of the executives to approve loans, negotiate contracts, and make personnel decisions. That was enough, the six executives claimed, to trigger a change-of-control agreement they had signed with First National. That agreement stipulated that each executive would receive one year's salary and other benefits if he resigned because First National was acquired and his duties changed.

The former presidents resigned shortly after the merger and demanded the compensation they said was due to them from the agreement. When Regions refused, they filed suit.

"The issue was whether or not there is a difference between running a community bank and running a branch for a centralized holding company," said ***Richard L. Robbins***, an Atlanta lawyer who represented the executives. "We felt that there clearly is a difference, and the judge agreed with what we were saying."

Officials from Regions did not return calls seeking comment. During the case, the company argued that although some of the presidents' administrative tasks were reduced, their primary duty - to increase loans and deposits - remained unchanged.

In his ruling, which was released this week, District Court Judge Charles Moye concluded that the changes made by Regions "generally diminished plaintiffs' autonomy, discretion, and control in their ability to 'grow' the banks," and therefore triggered the change of control provision. "Plaintiffs went from engaging in all of the duties and responsibilities of running their own banks to being, in essence, bank managers," he wrote.

All six executives are now chief executive officers at other community banks. Four of them even started their own companies. One of those four, Dennis W. Burnette, said he felt vindicated by the judge's decision.

"The story I was supposed to tell my employees and the community was that there was not going to be any change and that I still had autonomy over my bank," said Mr. Burnette, who opened Cherokee Bank in Canton, Ga., last year. "It was a facade, and the judge recognized it."