ACQUISITION WELL PLANNED

THE ACQUISITION OF MORGAN KEEGAN

WHEN we were asked to assist longtime client Raymond James Financial Inc. with a significant proposed acquisition we were a bit surprised. In its 50-year history, Raymond James had grown organically and quite purposefully, without undertaking any major acquisitions. But, Raymond James had a plan. It sought to acquire Morgan Keegan, the broker-dealer affiliate of Regions Bank. Like many banks, Regions had been a TARP-recipient and was looking to bolster its capital position. As part of its plan, Regions conducted an auction process in which it sought to interest private equity and financial sponsors in Morgan Keegan. Difficult market conditions made the process challenging. However, the approximately 1,200 financial advisers of Morgan Keegan and its balanced and responsible corporate culture were appealing to Raymond James.

Raymond James planned carefully. It had expressed early interest in the acquisition only to find that participants in the auction process might have had different views on valuation. All the while, Raymond James worked carefully with its advisers to ensure that it would have in place a bridge line of credit to help facilitate the acquisition, should it be in a position to make a bid. Like its corporate parent, which was hard hit by extensive exposure to real estate in the Southeast, Morgan Keegan also ran into trouble during the financial crisis. The brokerage had agreed to a $200 million settlement to resolve civil-fraud charges tied to mortgage securitizations. The brokerage also faced other financial crisis related litigation and regulatory issues. Raymond James had the discipline to wait for an opportunity to present itself when other bidders failed to express interest. As part of the acquisition, Regions agreed to indemnify Raymond James for all litigation matters related to Morgan Keegan. The deal was announced in January 2012. Raymond James then proceeded to launch several public offerings, which tapped into different investor bases, including various debt offerings and a common stock offering. By raising funds through these well-timed transactions, it was able to avoid using the bridge line. FINRA and other regulatory approvals were obtained and the transaction closed in April 2012. The combination of St. Petersburg, Florida-based Raymond James and Memphis, Tennessee-based Morgan Keegan created one of the biggest regional brokerage firms in the country and ended a drawn-out sales process for Regions. The careful planning continued through a successful integration.