THE BIG BANK

THE MERGER OF THE BANK OF LAFAYETTE AND LBA SAVINGS BANK WILL CREATE THE BIGGEST LOCALLY OWNED COMMERCIAL BANK IN TOWN

BY LESLIE TURK

The merger of the Bank of Lafayette and LBA Savings Bank will create the biggest locally owned commercial bank in town, the Bank of Lafayette announced today.

The merger, which is expected to close in the fourth quarter of 1995, will create a holding company with a commercial bank subsidiary. The Bank of Lafayette will be the subsidiary, and LBA will become a wholly owned subsidiary of the new holding company.

The merger is expected to create a bank with assets of about $228 million, making it the largest locally owned and operated commercial bank in Lafayette, Louisiana.

Lafayette's oldest financial institution, the Bank of Lafayette, is expected to have a market share in Lafayette Parish of about 11 percent, while LBA has a market share of about 10 percent.

Officials on both sides say there are several reasons for the merger. The Bank of Lafayette, which was founded 94 years ago, has been studying several options, including a merger, for a number of years. He says it was a major factor in deciding to go forward with the merger.

"The two banks are merged together," Sweatt says. "They're going to convert from a mutual conversion that has gone on in other parts of the country."

"The transaction is tentatively scheduled for completion during the first quarter of 1995 and is subject to various regulatory approvals," Sweatt says.

The actual physical structure of the transaction structure is a little complicated," Sweatt says. "We've got lawyers on top of lawyers. We spent a lot of time and a lot of money on lawyers."

"We're going to convert from a mutual to a stock ownership," Guidry says. But first, a majority of LBA's eligible members, meaning all of its depositors and borrowers, must approve the conversion. LBA has some 18,000 depositors.

"After we do that we'll reorganize into a holding company with a commercial bank subsidiary," Guidry says.

"Upon the reorganization, the commercial bank subsidiary will acquire The Bank of Lafayette, and the two will operate under one name, the LBA Bank." "LBA is buying the Bank of Lafayette," says Sweatt. "Ours is structured as a conversion and then an acquisition."

Guidry says LBA has some 38,000 depositors. The holding company will be called Royal Bank Group of Acadiana Inc. Royal Bank Group will actually own all of the outstanding stock of the LBA Bank. "That holding company stock will be the stock that will actually trade," Sweatt says.

"From our side, from the Bank of Lafayette side, we'll get shares in the new company. But rather than paying cash we'll trade in our Bank of Lafayette shares," says Sweatt. This stock swap is based on an established exchange ratio.

The merging of the Bank of Lafayette into the commercial bank subsidiary of LBA Savings Bank's new holding company is subject to regulatory approval. The holding company has already been endorsed by the Bank of Lafayette's board, Sweatt says.

The Sweatt group—which includes retired judge Kaliste Saloom Jr., Don O'Rourke, William Mouton and Dr. Al Beacham—is also subject to regulatory approval. The holding company's board members will be Chance, Andrus and Sweatt from The Bank of Lafayette and O'Rourke, Gankendorf and Beacham from LBA. Chance and Gankendorf will serve as co-chairmen.

"It would be much harder and more difficult if we had 500 shareholders," Sweatt says. He says that's why his small group of original investors had such a strong desire to acquire the Bank of Lafayette.

"We've always been hopeful we could put something like this together," Sweatt says. In fact, Sweatt acknowledges that talks between the two parties began about 1 1/2 years ago, long before his group actually gained control of the Bank of Lafayette.

The new management structure of LBA Bank will be as follows: Sweatt will be president and chief executive officer, and Guidry will be chairman of the board. The bank's 11-member board will consist of all five members of the Bank of Lafayette's board, as well as all members of LBA's current board. In addition to Sweatt and O'Rourke's current board is made up of chairman Lawrence Gankendorf, retired judge Kaliste Saloom Jr., Don O'Rourke, William Mouton and Dr. Al Beacham.

The holding company's board members will be Chance, Andrus and Sweatt from The Bank of Lafayette and O'Rourke, Gankendorf and Beacham of LBA. Chance and Gankendorf will serve as co-chairmen.

Officials have not yet decided where LBA Bank's corporate headquarters will locate. Currently, LBA is headquartered downtown, and The Bank of Lafayette's main office is at 2100 W. Pinhook Road.
An independent adviser hired by LBA will appraise the stock's value—based on a number of components—and regulators must approve the appraisal.

"You don't know exactly how much stock you're going to sell until the appraisal is finalized," says Sweatt.

Those with first call on the stock are LBA Savings Bank's depositors and borrowers, based on a tiered prioritized system. LBA's customers have the option to become stockholders, but they are in no way obligated to buy stock.

Those customers who have been doing business with the bank for a certain number of years will be in line to buy stock before someone who began doing business with the bank for a shorter period. The formula will be spelled out to customers, and there are limits on how much can be purchased. No one individual will own a majority of the stock of the new company.

The stock will be purchased through the bank, not a stock broker. "LBA will actually be taking orders," Sweatt says, "If there's anything left, it's called a community offering, which the public can buy," Sweatt says. "We have a heavy bias for people in the community on the stock," Sweatt says.

"In the event all of the stock doesn't sell to bank officials and directors, customers and the community, an investment banker has agreed to broker the remaining stock. (Both Sweatt and Guidry readily acknowledged that while bank stocks are doing well today, some investors in Lafayette have had bad luck in recent times with bank stock.) This is regarded as a stand-by commitment, or a precautionary measure. Eventually, the stock will be traded over the counter, Sweatt says. "We expect to end up on the NASDAQ," which is the nationwide listing of stocks traded over the counter.

LBA Bank also expects to continue down the merger trail. "We have high hopes that we're going to have other people joining us," Sweatt says. "We're not interested in big towns. We're interested in small towns," he adds. "We're looking at all opportunities in Acadiana."

Sweatt was not specific about institutions which might be of interest to his group, when asked about the possibility that Mid South National Bank—currently the largest locally owned commercial bank in Lafayette—is a potential acquisition.

"My people want to stay independent," he says.

The holding company will be named Royal Bank Group of Acadiana so that when acquisitions are made, the new institution—whether a bank or a savings bank—will retain its name and identity, Sweatt says. "We wanted a name that didn't belong to anybody. Our holding company name will not be any bank's name," he says.

Sweatt says such arrangements in which the banks retain their own names have proven successful in other parts of the country. "This is not a unique concept," he says.