CARL MARKS

SNLFinancial

September 12, 2013

Relaxed bid procedures aided post-petition marketing of Metropolitan National Bank

By Tim Zawacki

U.S. Bankruptcy Judge James Mixon's July 31 order to substantially lower the bar for bids to compete with stalking horse Ford Financial Fund II LP proved key to Rogers Bancshares Inc.'s successful auction of its stake in Little Rock, Ark.-based Metropolitan National Bank.

Simmons First National Corp.'s offer to pay $53.6 million in cash for the Metropolitan National shares, the product of an auction that lasted a reported 19 rounds, exceeds by 235% Ford's $16 million stalking-horse bid and dramatically improves recovery prospects for creditors of Rogers' bankruptcy estate. CEO-elect George Makris Jr. told SNL that the revised procedures "absolutely" encouraged Simmons First, which he said had previously engaged in discussions over the past 10 to 12 years regarding a merger with Metropolitan National "probably four or five times, and maybe even more than that," to participate in the auction.

Mixon's order establishing the bidding procedures for the Metropolitan National auction, as previously reported, had the effect of lowering the stalking-horse fee to $640,000 from $4 million and slashing the minimum overbid for qualified bidders to $260,000 from $1 million. The procedures as initially outlined would have required competitors to the Ford offer to bid at least $21 million for Metropolitan National.

Another key development, Makris said, was Mixon's decision to eliminate Ford's right of last refusal through which it had the option to match the last, highest offer for the bank.

"They had to participate as a regular bidder, and they had to outbid the highest bid during this process," Makris said. "That was also a favorable change to the agreement."

Rogers had unsuccessfully defended the initial fee and minimum overbid, given that Ford had agreed — and any other interested party would need to make a commitment — to allocate up to $74.2 million for a recapitalization of Metropolitan National. The official committee of unsecured creditors, which largely consists of interests related to Rogers' subsidiary trust preferred securities, lobbied the court to reduce what it characterized as an "inflated" stalking-horse fee that, in combination with the minimum overbid, was "much too high" for the promotion of an active auction.

With the revised procedures in place, the auction attracted participation from Arvest Bank Group Inc., Simmons First and Ford.

Chris Wu
Partner, Carl Marks Advisory Group

"Because we were able to reduce the bid protections, those other parties felt like they had sufficient time to participate and, obviously, [Metropolitan National] is a strategic asset," said Christopher Wu, partner at Carl Marks Advisory Group. Carl Marks, a New York-based consulting and investment banking advisory firm serving middlemarket companies, had been retained by the official committee of unsecured creditors to serve as its financial adviser as a result of what the committee described as its diverse experience and extensive knowledge in the bankruptcy field. Keefe Bruyette & Woods Inc. provided financial advice to Rogers in connection with the sale; Sterne Agee & Leach Inc. advised Simmons First.

"Who would want to enter into a bidding process where any given bid would be $4 million discounted from Ford?" Wu said.

He indicated that Rogers "ran a comprehensive process with our input post-petition, and we're very pleased with the results we achieved working with them."

While the purchase price is significantly above the stalking-horse bid, Simmons First officials said on a Sept. 12 conference call that they expect "excellent financial results from this transaction." Makris said Simmons First's strategy had been to determine the maximum price it was willing to bid in the auction.

"When you go into an auction like this, all you need to know is when you stop," he said. Makris confirmed that the company is comfortable with the price it will pay for Metropolitan National.

Holders of CDOs backed in part by Rogers' trust preferred securities are pleased with the outcome, as well, given the potential for the terms of the deal to result in materially higher recoveries to the company's largest class of claimants.

"The dynamics of every auction are different," Wu explained. "Having three financially capable participants who we deemed would satisfy regulators was absolutely critical. The way the bidding went, if it had been up to just Ford and Arvest, bidding would have been robust but I don't think it would have gotten as high as it did."