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## SunTrust, Southern 'dribble out' stock sales

Atlanta Business Chronicle - by [Joe Rauch](#)

Dribble dribble dribble.

Stock offerings for some of Atlanta's largest public companies are trickling out, but in a form not seen much in the equity world.

Known as a "dribble offering," the stock sales by financial giant **SunTrust Banks Inc.**, announced May 15, and utility company **Southern Co.**, announced May 8, are part of a relatively recent trend in forgoing traditional underwriters.

Unlike a traditional stock offering, the sale uses an investment bank firm as a sales agent, receiving directions directly from the company on when, and how much, to sell. The offerings can last for an indefinite period, and the stock can be commingled and sold with orders filed by existing stock shares.

It effectively allows a company to "dribble out" an offering, rather than pushing it to institutional investors.

It's cheaper for the issuing company, too, as it pays a lower commission to the investment bank handling the offering.

"There will always be a place for fully underwritten public offerings," said Brink Dickerson, an Atlanta-based **Troutman Sanders** LLP securities attorney. "But this will increasingly become a more common form of accessing the public equity markets."

Southern Co. is paying a 1 percent commission on each of its 20 million shares sold by **Barclays Capital** or BNY Mellon Capital, according to its filing. The proceeds of Southern Co.'s offering will be used, in part, to repay up to \$638 million in short-term debt.

SunTrust is using **Morgan Stanley** as the main conduit for its offering, which totals \$1.5 billion and is part of the bank's response to the Federal Reserve's stress-testing process.

Those tests concluded the bank needed to raise \$2.2 billion in common equity.

Steve Shriner, SunTrust's investor relations director, said the bank will decide daily, depending upon market forces, how much stock to instruct Morgan Stanley to sell.

The offering's completion depended fully on market forces, Shriner said, and would not project when it might close.

He said the company opted for this offering route because it would avoid a further devaluation of the company's stock price, and have the least impact on existing shareholders.

"That was one of the things we wanted to avoid," Shriner said.

### Capital at Crescent?

Jasper-based **Crescent Banking Co.**, parent company of the troubled \$1 billion-in-assets lender, is asking shareholders for the ability to more easily do a deal.

The bank holding company is requesting shareholders approve two measures to lower the hurdles to complete a recapitalization or other strategic move for the ailing bank, according to the May 18 proxy statement filed with the Securities and Exchange Commission.

The bank wants shareholders to approve increasing the number of shares available from 10 million to 50 million, and remove a prohibition against certain business combinations, including those with so-called "interested shareholders."

The second proposal requires a super-majority, or two-thirds, to approve it.

"We believe that the amendments to our Articles of Incorporation are necessary to provide the Company with maximum flexibility to execute a financing transaction, should an opportunity become available," the proxy stated.

The bank must raise its total tier 1 capital ratio to 8 percent in the next 120 days, according to a cease-and-desist order issued by regulators on April 29. As of March 31, the bank had a tier 1 ratio of 6.51 percent.

The money will be needed to absorb rising loan losses.

Roughly 9.7 percent, or \$75 million, of Crescent's \$776 million loan portfolio is in some stage of delinquency or default.

#### **Boom Loans**

One type of lender is exploding as banks are cutting back.

Asset-backed lenders, like Atlanta-based Presidential Financial, are finding an explosion in interest as banks have curbed lending in the current economy.

Presidential Financial's CEO Tom Matthesen said interest from prospective customers is at an all-time high.

Asset-backed lenders use accounts receivable or existing inventories as collateral in a loan.

Presidential works with clients from \$5 million to \$80 million in annual revenue, lending \$1 million to \$5 million in multi-year credit lines.

Matthesen said his company's lending activity in May is already double his prior record month with, as of press time, two weeks to go until the end of the month.

#### **Regions expands**

Who says new branches are dead?

**Regions Financial Corp.** has received approval to open two new Atlanta-area branches, in Suwanee and East Point.

The move is the first organic branch expansion by the bank since regional executive Bill Linginfelter took over its Atlanta operations.

Regions has acquired branches from two failed banks within the last year to add branches: Alpharetta's **Integrity Bancshares Inc.** and McDonough-based **FirstBank Financial Services.**

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