

Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

REGIONS FINANCIAL CORP

Form S-4

October 04, 2001

1

As filed with the Securities and Exchange Commission on October 4, 2001.  
Registration No.

-----  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
-----

FORM S-4  
REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933  
-----

Regions Financial Corporation  
(Exact Name of Registrant as Specified in its Charter)  
-----

Delaware	6711	63-0589368
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

417 North 20th Street  
Birmingham, AL 35203  
(205) 944-1300  
(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)  
-----

Samuel E. Upchurch, Jr.  
General Counsel and Corporate Secretary  
417 North 20th Street  
Birmingham, AL 35203  
(205) 326-7860  
(Name, address, including zip code, and telephone  
number, including area code, of agent for service)  
-----

Copies to:

CHARLES C. PINCKNEY  
LANGE, SIMPSON, ROBINSON &  
SOMERVILLE LLP  
417 NORTH 20TH STREET, SUITE 1700  
BIRMINGHAM, AL 35203  
(205) 250-5000

FRANK M. CONNER III  
ALSTON & BIRD LLP  
601 PENNSYLVANIA AVENUE, N.W.  
NORTH BUILDING, TENTH FLOOR  
WASHINGTON, D.C. 20004  
(202) 756-3300

WILLIAM T. LUEDKE I  
BRACEWELL & PATTERSON L  
711 LOUISIANA STREET, SUITE  
HOUSTON, TEXAS 77002  
(713) 221-2900

-----  
Approximate date of commencement of proposed sale of securities to the  
public: As soon as practicable after this Registration Statement becomes  
effective.

If the securities being registered on this form are being offered in  
connection with the formation of a holding company and there is compliance with

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

General Instruction G, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit*	Proposed maximum aggregate offering price*
Common Stock	1,108,758	\$11.81772758	\$ 13,103,000

\*Calculated in accordance with Rule 457(f), based on the total stockholders' equity of the company being acquired as of June 30, 2001.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), shall determine.

2

PROXY STATEMENT  
FIRST BANCSHARES OF TEXAS, INC.

PROSPECTUS  
REGIONS FINANCIAL CORPORATION  
\_\_\_\_\_  
SHARES OF COMMON STOCK

### MERGER PROPOSED -- YOUR VOTE IS VERY IMPORTANT

The boards of directors of First Bancshares of Texas, Inc., a bank holding company headquartered in Houston, Texas, and Regions Financial Corporation, a bank holding company and financial holding company headquartered in Birmingham, Alabama, have agreed on a merger of First Bancshares and Regions. Regions will be the surviving corporation in the merger.

If the merger is completed, you will receive .589 of a share of Regions common stock for each share of First Bancshares common stock you own, subject to possible adjustment. The .589 of a share multiple, as it may be adjusted, is referred to as the "exchange ratio." Regions stockholders will continue to own their existing shares of Regions common stock after the merger.

Regions common stock is quoted on the Nasdaq National Market under the symbol "RGBK." Based on the closing price of Regions common stock on \_\_\_\_\_ of

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

\$\_\_\_\_\_ and the .589 exchange ratio, you will receive approximately \$\_\_\_\_\_ worth of Regions common stock for each share of First Bancshares common stock you own. The .589 exchange ratio is subject to possible adjustment in limited circumstances as described in this proxy statement-prospectus. The actual value of the Regions common stock received by First Bancshares stockholders in the merger will depend on the market value of Regions common stock at the time we complete the merger.

First Bancshares has scheduled a special meeting for its stockholders to vote on the merger, to be held at \_\_\_\_\_, local time, on \_\_\_\_\_, at 2001 Kirby Drive, Suite 808, Houston, Texas, 77019. We cannot complete the merger unless the stockholders of First Bancshares approve it.

This proxy statement-prospectus provides you with detailed information about the proposed merger. You can also get information about Regions from documents filed with the Securities and Exchange Commission. We encourage you to read this entire document carefully.

ALSO, YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 13 OF THIS PROXY STATEMENT-PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED THE REGIONS COMMON STOCK TO BE ISSUED UPON COMPLETION OF THE MERGER OR DETERMINED IF THIS PROXY STATEMENT-PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this proxy statement-prospectus is \_\_\_\_\_. It is first being mailed on or about \_\_\_\_\_.

3

### HOW TO OBTAIN ADDITIONAL INFORMATION

This proxy statement-prospectus incorporates important business and financial information about Regions Financial Corporation that is not included in or delivered with this document. This information is described on page 60 under the caption "Where You Can Find More Information." You can obtain free copies of this information from Regions by writing or calling:

Regions Financial Corporation  
417 North 20th Street  
Birmingham, AL 35203  
Attention: Shareholder Relations  
Telephone: (205) 326-7090

IN ORDER TO OBTAIN TIMELY DELIVERY OF THE DOCUMENTS, YOU MUST REQUEST THE INFORMATION BY \_\_\_\_\_, 2001.

4

FIRST BANCSHARES OF TEXAS, INC.  
2001 KIRBY DRIVE, SUITE 808, HOUSTON, TEXAS, 77019

### NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD \_\_\_\_\_, 2001

First Bancshares of Texas, Inc. will hold a Special Meeting of Stockholders at First Bancshares' main office, located at 2001 Kirby Drive,

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

Suite 808, Houston, Texas, 77019 on \_\_\_\_\_, 2001, at \_\_\_\_\_:00 p.m., local time. At the special meeting the following matters will be presented for stockholder vote:

1. Merger. The Agreement and Plan of Merger, dated as of August 3, 2001, by and between First Bancshares and Regions Financial Corporation. If the agreement is approved and the merger is completed, (1) First Bancshares will merge with and into Regions with Regions as the surviving corporation and (2) each share of First Bancshares common stock (excluding certain shares held by First Bancshares, Regions, or their respective subsidiaries and excluding all shares held by stockholders who perfect their dissenters' rights) will be converted into .589 of a share of Regions common stock, subject to possible adjustment, with cash to be paid instead of any remaining fractional share interest, all as described more fully in the accompanying proxy statement-prospectus; and

2. Other Business. Such other business as may properly come before the special meeting, including adjourning the special meeting to permit, if necessary, further solicitation of proxies.

Stockholders of record at the close of business on \_\_\_\_\_, 2001, will receive notice of and may vote at the special meeting or any adjournment or postponement thereof.

You have a right to dissent from the merger and obtain payment of the fair value of your First Bancshares shares in cash by complying with the applicable provisions of Texas law, which are attached to the accompanying proxy statement-prospectus as Appendix C.

Your board of directors unanimously recommends that you vote FOR the proposals listed above.

We urge you to sign and return the enclosed proxy as promptly as possible, whether or not you plan to attend the special meeting in person. The proxy may be revoked by the person executing the proxy by filing with the Secretary of First Bancshares an instrument of revocation or a duly executed proxy bearing a later date or by electing to vote in person at the special meeting.

By Order of the Board of Directors

Mary Melville  
Corporate Secretary

\_\_\_\_\_, 2001  
-----

### TABLE OF CONTENTS

SUMMARY.....	
The Companies.....	
The Merger.....	
Comparative Per Share Market Price Information.....	
Reasons for the Merger.....	
Fairness Opinion of First Bancshares' Financial Advisor.....	
The Special Meeting.....	

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

Recommendations to Stockholders.....	
Voting Rights at the Special Meeting.....	
Stockholder Vote Required.....	
Share Ownership of Management and Certain Stockholders.....	
Effective Time.....	
Exchange of Stock Certificates.....	
Regulatory Approvals and Other Conditions to Completion of the Merger.....	
Termination and Amendment of the Merger Agreement.....	
Federal Income Tax Consequences.....	
Accounting Treatment.....	
Interests of Certain Persons in the Merger That May Be Different from Yours.....	
Dissenters' Appraisal Rights.....	
Certain Differences in Stockholders' Rights.....	
Comparative Per Share Data.....	
Selected Financial Data.....	
RISK FACTORS.....	
General.....	
Risks Relating to the Merger.....	
THE SPECIAL MEETING.....	
General.....	
Record Date; Vote Required.....	
THE MERGER.....	
General.....	
Possible Adjustment of Exchange Ratio.....	
Background of the Merger.....	
First Bancshares' Reasons for the Merger.....	
Regions' Reasons for the Merger.....	
Opinion of First Bancshares' Financial Advisor.....	
Effective Time of the Merger.....	
Distribution of Regions Stock Certificates and Payment For Fractional Shares.....	
Conditions to Completion of the Merger.....	
Regulatory Approvals.....	
Waiver, Amendment, and Termination of the Merger Agreement.....	
Conduct of Business Pending the Merger.....	
Management Following the Merger.....	
Interests of Certain Persons in the Merger.....	
Dissenting Stockholders.....	
Federal Income Tax Consequences of the Merger.....	
Accounting Treatment.....	
6	
Expenses and Fees.....	
Resales of Regions Common Stock.....	
EFFECT OF THE MERGER ON RIGHTS OF STOCKHOLDERS.....	
Antitakeover Provisions Generally.....	
Authorized Capital Stock.....	
Amendment of Certificate or Articles of Incorporation and Bylaws.....	
Classified Board of Directors and Absence of Cumulative Voting.....	
Removal of Directors.....	
Limitations on Director Liability.....	
Indemnification.....	
Special Meetings of Stockholders.....	
Actions by Stockholders Without a Meeting.....	
Stockholder Nominations.....	
Mergers, Consolidations, and Sales of Assets Generally.....	
Business Combinations with Certain Persons.....	
Dissenters' Rights.....	
Stockholders' Rights to Examine Books and Records.....	

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

Dividends.....	
COMPARATIVE MARKET PRICES AND DIVIDENDS.....	
INFORMATION ABOUT FIRST BANCSHARES.....	
Business and Properties.....	
Competition.....	
Legal Proceedings.....	
Management.....	
Transactions with Management.....	
Voting Securities and Principal Stockholders.....	
INFORMATION ABOUT REGIONS.....	
General.....	
Recent Developments.....	
SUPERVISION AND REGULATION.....	
General.....	
Payment of Dividends.....	
Capital Adequacy.....	
Prompt Corrective Action.....	
FDIC Insurance Assessments.....	
DESCRIPTION OF REGIONS COMMON STOCK.....	
STOCKHOLDER PROPOSALS.....	
FORWARD LOOKING STATEMENTS.....	
EXPERTS.....	
OPINIONS.....	
WHERE YOU CAN FIND MORE INFORMATION.....	
APPENDIX A-Agreement and Plan of Merger.....	
APPENDIX B-Opinion of Hoefer & Arnett, Incorporated .....	
APPENDIX C-Copy of Articles 5.11, 5.12, and 5.13, Texas Business Corporation Act, pertaining to dissenters' rights.....	

7

### SUMMARY

This summary highlights selected information from this proxy statement-prospectus. It does not contain all of the information that is important to you. You should carefully read this entire document and all other documents to which we refer in this document in order to understand fully the merger and to obtain a more complete description of the legal terms of the merger. See "Where You Can Find More Information" (page 60). Each item in this summary includes a page reference that directs you to a more complete description in this document of the topic discussed.

#### THE COMPANIES (PAGES 47 AND 51)

FIRST BANCSHARES OF TEXAS, INC.  
2001 Kirby Drive, Suite 808  
Houston, Texas, 77019  
(713) 522-5970

First Bancshares is incorporated in Texas and is a bank holding company. First Bancshares owns First Bank of Texas, a commercial bank which serves customers in Harris, Hamilton, and Montgomery Counties. As of June 30, 2001, First Bancshares' total assets were about \$169.2 million, deposits were about \$151.8 million, and stockholders' equity was about \$13.1 million.

REGIONS FINANCIAL CORPORATION  
417 North 20th Street  
Birmingham, Alabama 35203  
(205) 944-1300

Regions is incorporated in Delaware and is a regional bank holding

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

company and financial holding company. Through its subsidiaries, Regions provides banking and other financial services. Regions has banking operations in Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, Tennessee, and Texas. As of June 30, 2001, Regions' total assets were about \$45.1 billion, deposits were about \$31.2 billion, and stockholders' equity was about \$3.8 billion.

THE MERGER (PAGE 16)

If we complete the merger, Regions will be the surviving corporation. When the merger is completed, you will receive .589 of a share of Regions stock for each share of First Bancshares stock that you own, subject to possible adjustment. You will not receive any fraction of a share of Regions common stock. Instead, you will receive a cash payment for any fraction of a share of Regions common stock to which you may become entitled.

If you elect to dissent from the merger under Texas law and follow the required procedures, you will receive a cash payment for your shares of First Bancshares common stock instead of receiving Regions common stock in the merger. More information about your rights to dissent from the merger, and the procedures you must follow should you choose to do so, is included under the heading "The Merger -- Dissenting Stockholders" on page 31.

The exchange ratio of .589 of a share of Regions common stock for each share of First Bancshares common stock could be adjusted under limited circumstances. If the average of the daily last sales prices

1

8

of Regions common stock over a five trading day period following the mailing of this proxy statement-prospectus is less than \$26.00 or greater than \$36.00, then the exchange ratio will be adjusted under a formula included in the merger agreement. The intent of the formula is that you will not bear the risk of a sharp decline, and likewise will not realize the benefit of a sharp increase, in the price of Regions common stock between the date of the merger agreement and \_\_\_\_\_, 2001. The adjustment mechanism is explained in detail under the heading "The Merger--Possible Adjustment of Exchange Ratio" on page 16.

We have attached the merger agreement to this proxy statement-prospectus as Appendix A. We encourage you to read the merger agreement. It is the legal document that establishes the terms and conditions of the merger.

COMPARATIVE PER SHARE MARKET PRICE INFORMATION (PAGE 45)

Shares of Regions are quoted on the Nasdaq National Market under the symbol "RGBK." Shares of First Bancshares are not quoted on any established market. On August 10, 2001, the last full trading day prior to the public announcement of the merger, Regions stock closed at \$32.00 per share. As of that date the last known price of First Bancshares stock was \$\_\_\_\_\_ per share on \_\_\_\_\_, 2001. On \_\_\_\_\_, 2001, Regions stock closed at \$\_\_\_\_\_ per share and the last known price of First Bancshares stock was \$\_\_\_\_\_ per share on \_\_\_\_\_, 2001.

Based on the exchange ratio of .589 of a share, the market value of the consideration that First Bancshares stockholders will receive in the merger for each share of First Bancshares common stock would be \$18.85 based on Regions' August 10, 2001 closing price and \$\_\_\_\_\_ based on Regions' \_\_\_\_\_, 2001 closing price. Of course, the market price of Regions common stock will fluctuate prior to and after completion of the merger, while the exchange ratio

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

will be fixed on or about \_\_\_\_\_, 2001. Therefore, you should obtain current stock price quotations for Regions common stock.

### REASONS FOR THE MERGER (PAGE 19)

First Bancshares and Regions believe that the merger will result in a company with expanded opportunities for profitable growth. In addition, we anticipate that the combined resources of First Bancshares and Regions will improve our ability to compete in First Bancshares' market area.

To review the background of and reasons for the merger in greater detail, please see the discussion under the headings "The Merger--Background of the Merger" and "The Merger--First Bancshares' Reasons for the Merger" on pages 17 and 19.

### FAIRNESS OPINION OF FIRST BANCSHARES' FINANCIAL ADVISOR (PAGE 21)

In deciding to approve the merger, the First Bancshares board of directors considered the opinion of its financial advisor Hoefer & Arnett, Incorporated that as of the date of the opinion the exchange ratio was fair to the First Bancshares stockholders from a financial point of view. We have attached this opinion as Appendix B to this proxy statement-prospectus. You should read it carefully.

2

9

### THE SPECIAL MEETING (PAGE 13)

The First Bancshares special meeting will be held at First Bancshares' main office, 2001 Kirby Drive, Suite 808, Houston, Texas, 77019, at \_\_\_\_\_ p.m. on \_\_\_\_\_, 2001. At the special meeting, First Bancshares stockholders will be asked to approve the merger agreement.

### RECOMMENDATIONS TO STOCKHOLDERS (PAGE 19)

The First Bancshares board of directors has approved the merger agreement and the merger and believes that the merger is fair to you and in your best interests. The board of directors unanimously recommends that you vote "FOR" the proposal to approve the merger agreement and the merger.

### VOTING RIGHTS AT THE SPECIAL MEETING (PAGE 15)

You can vote at the First Bancshares special meeting if you owned First Bancshares common stock as of the close of business on \_\_\_\_\_, 2001, the record date. On that date, 1,737,864 shares of First Bancshares common stock were outstanding and therefore are allowed to vote at the special meeting. You will be able to cast one vote for each share of First Bancshares common stock you owned on \_\_\_\_\_, 2001. Participants in the First Bancshares employee stock ownership plan are entitled to direct the trustees of the plan how to vote the shares of First Bancshares' common stock held by the plan. A separate request for voting instructions directing the trustees how to vote the shares held by the First Bancshares employee stock ownership plan will be sent to the participants in the plan.

Regions stockholders will not vote on the merger.

### STOCKHOLDER VOTE REQUIRED (PAGE 15)

To approve the merger, First Bancshares stockholders who hold on the record date a majority of the outstanding shares of common stock entitled to



## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

vote on the merger agreement must vote for the merger. If you do not vote, this will have the same effect as a vote against the merger.

### SHARE OWNERSHIP OF MANAGEMENT AND CERTAIN STOCKHOLDERS (PAGE 47)

All together, the directors and officers of First Bancshares, their immediate family members and entities they control can cast about 38.04% of the votes entitled to be cast at the First Bancshares special meeting. The members of the First Bancshares board of directors have agreed to vote all of shares over which they have voting authority (other than as a fiduciary) in favor of the merger.

### EFFECTIVE TIME (PAGE 26)

The merger will become final at the time specified in the Certificate of Merger reflecting the merger to be filed with the Secretary of State of the state of Delaware and the Articles of Merger reflecting the merger to be filed with the Secretary of State of the state of Texas. If First Bancshares stockholders approve the merger at the special meeting, and Regions obtains all required regulatory approvals, we currently anticipate that the merger will be completed during the fourth quarter of 2001. First Bancshares and

3

10

Regions cannot assure you that we can obtain the necessary stockholder and regulatory approvals or that the other conditions to completion of the merger can or will be satisfied.

### EXCHANGE OF STOCK CERTIFICATES (PAGE 26)

Promptly after the merger is completed, you will receive a letter and instructions on how to surrender your First Bancshares stock certificates in exchange for Regions stock certificates. You will need to carefully review and complete these materials and return them as instructed along with your stock certificates for First Bancshares common stock. You should not send First Bancshares, Regions, or Regions' transfer agent any stock certificates until you receive these instructions.

### REGULATORY APPROVALS AND OTHER CONDITIONS TO COMPLETION OF THE MERGER (PAGE 27)

Regions is required to notify and obtain approvals from certain government regulatory agencies before the merger may be completed, including the Federal Reserve and other federal and state banking regulators. We expect that Regions will obtain all required regulatory approvals, but we cannot assure you that these regulatory approvals will be obtained.

In addition to the required regulatory approvals, the merger will be completed only if certain conditions, including, but not limited to the following, are met or, if waivable, waived:

- First Bancshares stockholders approve the merger agreement and the merger at the special meeting;
- First Bancshares and Regions each receive an opinion of counsel that the merger will qualify as a tax-free reorganization; and
- neither Regions nor First Bancshares has breached in any material respect any of its representations or obligations under the merger agreement.

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

In addition to these conditions, the merger agreement, attached to this proxy statement-prospectus as Appendix A, describes other conditions that must be met before the merger may be completed.

In cases where the law permits, either Regions or First Bancshares could elect to waive a condition that has not been satisfied and complete the merger although it is entitled not to. We cannot be certain whether or when any of the conditions we have listed will be satisfied (or waived, where permissible), or that the merger will be completed.

### TERMINATION AND AMENDMENT OF THE MERGER AGREEMENT (PAGE 28)

Regions and First Bancshares may agree to terminate the merger agreement and elect not to complete the merger at any time before the merger is completed.

Each of the parties also can terminate the merger agreement in certain other circumstances, including if the merger is not completed by March 31, 2002. However, a party may not terminate the merger agreement for this reason if the merger has not been completed because of a breach of the merger agreement by the party seeking termination.

4

11

In addition, the parties may also terminate the merger agreement if other circumstances occur which are described in the agreement, attached to this proxy statement-prospectus as Appendix A.

The merger agreement may be amended by the written agreement of First Bancshares and Regions. The parties may amend the merger agreement without stockholder approval, even if First Bancshares stockholders have already approved the merger. However, First Bancshares stockholders must approve any amendments that would modify, in a material respect, the type or amount of consideration that they will receive in the merger.

### FEDERAL INCOME TAX CONSEQUENCES (PAGE 34)

We expect that you will not recognize any gain or loss for U.S. federal income tax purposes when you exchange all of your shares of First Bancshares common stock for shares of Regions common stock in the merger, except in connection with cash received instead of fractional shares. We have conditioned the merger on our receipt of a legal opinion that this will be the case, but this opinion will not bind the Internal Revenue Service, which could take a different view.

THIS TAX TREATMENT MAY NOT APPLY TO CERTAIN FIRST BANCSHARES STOCKHOLDERS, INCLUDING THE TYPES OF FIRST BANCSHARES STOCKHOLDERS DISCUSSED ON PAGE 34, AND WILL NOT APPLY TO ANY FIRST BANCSHARES STOCKHOLDER WHO DISSENTS FROM THE MERGER UNDER TEXAS LAW. DETERMINING THE ACTUAL TAX CONSEQUENCES OF THE MERGER TO YOU CAN BE COMPLICATED. THEY WILL DEPEND ON YOUR SPECIFIC SITUATION AND MANY VARIABLES NOT WITHIN OUR CONTROL. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR FOR A FULL UNDERSTANDING OF THE MERGER'S TAX CONSEQUENCES.

### ACCOUNTING TREATMENT (PAGE 35)

Regions expects to account for the merger as a purchase transaction for accounting and financial reporting purposes, meaning that the assets and liabilities of First Bancshares will be recorded at their estimated fair values and added to those of Regions. Therefore, the financial statements of Regions issued after the merger will reflect these values from First Bancshares and will

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

not be restated retroactively to reflect the historical financial position or results of operations of First Bancshares.

### INTERESTS OF CERTAIN PERSONS IN THE MERGER THAT MAY BE DIFFERENT FROM YOURS (PAGE 30)

Some of the officers of First Bancshares have benefit and compensation plans and employment contracts that provide them with interests in the merger that are different from, or in addition to, their interests as stockholders of First Bancshares. In particular, members of First Bancshares' board of directors and its officers are entitled to indemnification under the merger agreement. The First Bancshares board of directors was aware of these interests and considered them in approving and recommending the merger.

For more information about these matters, please refer to the discussion under the heading "The Merger-Interests of Certain Persons in the Merger" on page 30.

### DISSENTERS' APPRAISAL RIGHTS (PAGE 42)

Texas law permits you to dissent from the merger and to have the fair value of your stock appraised by a court and paid to you in cash. To do this, you must follow certain procedures, including the filing of certain notices and refraining from voting your shares in favor of the merger. If you dissent from the

5

12

merger, your shares of First Bancshares common stock will not be exchanged for shares of Regions common stock in the merger, and your only right will be to receive the appraised value of your shares in cash.

### CERTAIN DIFFERENCES IN STOCKHOLDERS' RIGHTS (PAGE 36)

When the merger is completed you will automatically become a Regions stockholder, unless you receive cash in the merger as a result of exercising your dissenters' rights. The rights of Regions stockholders differ from the rights of First Bancshares stockholders in certain significant ways. Many of these differences have to do with provisions in Regions' certificate of incorporation, bylaws, and Delaware law. Certain of these provisions are intended to make a takeover of Regions more difficult if the Regions board of directors does not approve it.

### COMPARATIVE PER SHARE DATA

The following table shows information about Regions' and First Bancshares' income per share, dividends per share and book value per share, and similar information reflecting the merger of Regions and First Bancshares (which is referred to as "pro forma" information). In presenting the comparative pro forma information for certain time periods, we assumed that Regions and First Bancshares had been merged throughout those periods.

In presenting the comparative pro forma information, we also assumed that Regions will record First Bancshares assets and liabilities at their estimated fair values and add them to the assets and liabilities of Regions for accounting and financial reporting purposes (a method which is referred to as the "purchase" method of accounting).

The information listed as "equivalent pro forma" was computed by multiplying the pro forma amounts by the exchange ratio of .589 of a share. It

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

is intended to reflect the fact that First Bancshares stockholders will be receiving .589 of a share of Regions common stock for each share of First Bancshares common stock exchanged in the merger. This may not be the actual exchange ratio, since the exact ratio will not be determined until on or about \_\_\_\_\_.

The pro forma information, while helpful in illustrating the financial attributes of the combined company under one set of assumptions, does not attempt to predict or suggest future results. Also, the information we have set forth for the six-month period ended June 30, 2001 does not indicate what the results will be for the full 2001 fiscal year.

The information in the following table is based on the historical financial information of Regions and First Bancshares. See "Where You Can Find More Information" on page 60.

6

13

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
	----- (Unaudited)	
NET INCOME PER COMMON SHARE		
Regions historical .....	\$ 1.06	\$ 1.2
Regions historical - diluted .....	1.05	1.2
FBOT historical .....	.29	.6
FBOT historical - diluted .....	.27	.5
Regions and FBOT pro forma combined(1) .....	1.06	2.3
Regions and FBOT pro forma combined		
- diluted(1) .....	1.05	
FBOT pro forma equivalent(2) .....	.62	
FBOT pro forma equivalent		
- diluted(2) .....	.62	
DIVIDENDS DECLARED PER COMMON SHARE		
Regions historical .....	.56	.5
FBOT historical .....	.20	.2
FBOT pro forma equivalent(3) .....	.33	
BOOK VALUE PER COMMON SHARE (PERIOD END)		
Regions historical .....	16.81	14.5
FBOT historical .....	7.86	6.6
Regions and FBOT pro forma combined(1) .....	16.81	
FBOT pro forma equivalent(2) .....	9.90	

(1) Represents the combined results of Regions and First Bancshares as if the merger were completed on January 1, 2000 (or June 30, 2001, in the case of Book Value Per Share Data), and were accounted for as a purchase.

(2) Represents pro forma combined information multiplied by the exchange ratio of .589 of a share of Regions common stock for each share of First Bancshares common stock. The exchange ratio is subject to adjustment under certain conditions if the average of the closing sales prices of Regions common stock over a specified period is less than

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

\$26.00 or greater than \$36.00. See "The Merger--Possible Adjustment of Exchange Ratio." The presentation of pro forma equivalent information would be affected by any increase in the exchange ratio.

- (3) Represents historical dividends declared per share by Regions multiplied by the exchange ratio of .589 of a share of Regions common stock for each share of First Bancshares common stock.

7

14

- (4) The exchange ratio is subject to adjustment if the average closing price of Regions common stock over a specified period is less than \$26.00 per share or greater than \$36.00 per share. The combined and equivalent pro forma per share data assuming illustrative exchange ratios of .558 (corresponding to an assumed average closing price of \$38.00) and .638 (corresponding to an assumed average closing price of \$24.00) are as follows:

	Exchange Ratio	
	.558	
	Six Months Ended June 30, 2001	Year Ended December 31, 2000
(Unaudited)		
NET INCOME PER COMMON SHARE		
Regions and FBOT pro forma combined .....	\$ 1.06	\$ 2.39
Regions and FBOT pro forma combined - diluted .....	1.05	2.38
FBOT pro forma equivalent .....	.59	1.33
FBOT pro forma equivalent - diluted .....	.59	1.33
DIVIDENDS DECLARED PER COMMON		
SHARE		
FBOT pro forma equivalent .....	.31	.60
BOOK VALUE PER COMMON SHARE (PERIOD END)		
Regions and FBOT pro forma combined .....	16.81	
FBOT pro forma equivalent .....	9.38	

### SELECTED FINANCIAL DATA

The following tables show summarized historical financial data for each of Regions and First Bancshares.

The information in the following tables is based on the historical financial information of Regions and First Bancshares. All of the summary financial information provided in the following tables should be read in connection with this historical financial information and with the more detailed financial information we have incorporated by reference in this proxy statement-prospectus, which you can find in the documents of Regions

# Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

incorporated by reference. See "Where You Can Find More Information" on page 60. The financial information as of or for the interim periods ended June 30, 2001 and 2000 has not been audited and in the respective opinions of management reflects all adjustments (consisting only of normal recurring adjustments) necessary to a fair presentation of such data.

8

15

## Selected Historical Financial Data of Regions

	SIX MONTHS ENDED JUNE 30,		Y
	2001	2000	2
	(Unaudited)		
	(In thousands, except per share data)		
INCOME STATEMENT DATA:			
Total interest income .....	\$ 1,601,688	\$ 1,572,816	\$ 3,
Total interest expense .....	903,402	870,009	1,
Net interest income .....	698,286	702,807	1,
Provision for loan losses .....	57,490	56,981	
Net interest income after loan loss provision .....	640,796	645,826	1,
Total noninterest income before security gains (losses) .....	417,329	344,393	
Security gains (losses) .....	467	(39,951)	
Total noninterest expense .....	724,087	543,922	1,
Income tax expense .....	98,954	135,048	
Net income .....	235,551	271,298	
PER SHARE DATA:			
Net income .....	\$ 1.06	\$ 1.23	\$
Net income -diluted .....	1.05	1.22	
Cash dividends .....	.56	.54	
Book value .....	16.81	14.55	
OTHER INFORMATION:			
Average number of shares outstanding .....	221,273	220,782	
Average number of shares outstanding - diluted .....	223,573	221,987	
STATEMENT OF CONDITION DATA (PERIOD END):			
Total assets .....	\$ 45,139,089	\$ 42,901,514	\$ 43,
Securities .....	7,713,087	9,245,683	8,
Loans, net of unearned income .....	30,962,953	30,390,990	31,
Total deposits .....	31,159,282	32,508,901	32,
Long-term debt .....	4,936,855	2,370,148	4,
Stockholders' equity .....	3,826,360	3,187,435	3,
PERFORMANCE RATIOS:			
Return on average assets(1) .....	1.07% (a)	1.29% (b)	
Return on average stockholders' equity(1) .....	13.29 (a)	17.45 (b)	
Net interest margin(1) .....	3.63	3.63	
Efficiency (2) .....	62.49 (a)	51.37 (b)	
Dividend payout .....	52.83	43.90	
ASSET QUALITY RATIOS:			
Net charge-offs to average loans,			

# Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

net of unearned income(1) .....	.32%	.23%
Problem assets to net loans and other real estate (3) .....	.98	.71
Nonperforming assets to net loans and other real estate (4) .....	1.11	.93
Allowance for loan losses to loans, net of unearned income .....	1.24	1.20
Allowance for loan losses to nonperforming assets (4) .....	111.56	128.99

## YEAR ENDED DECEMBER 31,

	1998	1997	1996
(In thousands, except per share data and ratios)			
INCOME STATEMENT DATA:			
Total interest income .....	\$ 2,597,786	\$ 2,276,584	\$ 1,954,200
Total interest expense .....	1,272,968	1,097,376	942,400
Net interest income .....	1,324,818	1,179,208	1,011,800
Provision for loan losses .....	60,505	89,663	46,000
Net interest income after loan loss provision .....	1,264,313	1,089,545	965,800
Total noninterest income before security gains (losses) .....	467,695	406,484	341,700
Security gains (losses) .....	7,002	498	3,300
Total noninterest expense .....	1,103,708	901,776	837,000
Income tax expense .....	213,590	197,222	156,000
Net income .....	421,712	397,529	317,800
PER SHARE DATA:			
Net income .....	\$ 1.92	\$ 1.89	\$ 1.80
Net income -diluted .....	1.88	1.86	1.75
Cash dividends .....	.92	.80	.75
Book value .....	13.61	12.75	11.75
OTHER INFORMATION:			
Average number of shares outstanding .....	220,114	209,781	194,200
Average number of shares outstanding - diluted .....	223,781	213,750	197,700
STATEMENT OF CONDITION DATA (PERIOD END):			
Total assets .....	\$ 36,831,940	\$ 31,414,058	\$ 26,993,300
Securities .....	7,969,137	6,315,923	5,742,300
Loans, net of unearned income .....	24,365,587	21,881,123	18,395,500
Total deposits .....	28,350,066	25,011,021	22,019,400
Long-term debt .....	571,040	445,529	570,500
Stockholders' equity .....	3,000,401	2,679,821	2,274,500
PERFORMANCE RATIOS:			
Return on average assets(1) .....	1.24% (d)	1.35%	1.40%
Return on average stockholders' equity(1) .....	14.62 (d)	15.38	14.62
Net interest margin(1) .....	4.25	4.41	4.41
Efficiency (2) .....	60.82 (d)	57.78	61.82
Dividend payout .....	47.92	42.33	42.33
ASSET QUALITY RATIOS:			
Net charge-offs to average loans, net of unearned income(1) .....	.28%	.27%	.27%
Problem assets to net loans and other real estate (3) .....	.60	.78	.78
Nonperforming assets to net loans			

# Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

and other real estate (4) .....	1.15	.91	.
Allowance for loan losses to loans, net of unearned income .....	1.29	1.39	1.
Allowance for loan losses to nonperforming assets (4) .....	112.27	151.89	166.

9

16

## Selected Historical Financial Data of Regions - Continued

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER		
	2001	2000	2000	1999	1998
	-----	-----	-----	-----	-----
	(Unaudited)				
	(In thousands, except per share)				
LIQUIDITY AND CAPITAL RATIOS:					
Average stockholders' equity to					
average assets .....	8.06%	7.37%	7.54%	7.74%	8.47%
Average loans to average deposits ....	99.98	90.96	94.63	91.35	86.93
Tier 1 risk-based capital (5) .....	8.78	9.23	9.14	9.51	10.26
Total risk-based capital (5) .....	12.18	11.10	11.44	11.42	12.17
Tier 1 leverage (5) .....	6.69	6.83	6.90	6.95	7.40

- 
- (1) Interim period ratios are annualized.
  - (2) Noninterest expense divided by the sum of net interest income (taxable-equivalent basis) and noninterest income net of gains (losses) from security transactions.
  - (3) Problem assets include loans on a nonaccrual basis, restructured loans, and foreclosed properties.
  - (4) Nonperforming assets include loans on a nonaccrual basis, restructured loans, loans 90 days or more past due, and foreclosed properties.
  - (5) The required minimum Tier 1 and total capital ratios are 4% and 8%, respectively. The minimum leverage ratio of Tier 1 capital to total assets is 3% to 5%. The ratios for prior periods have not been restated to reflect the combinations with First National Bancorp and First Commercial Corporation, accounted for as poolings of interests, or any other pooling-of-interests transactions.
  - (a) Ratios for June 30, 2001 excluding \$17.8 million (after tax) for merger and other nonrecurring charges are as follows: Return on average assets - 1.15%; Return on average stockholders' equity - 14.30%, and Efficiency - 60.48%.
  - (b) Ratios for June 30, 2000 excluding \$44.0 million (after tax) for gain on sale of credit card portfolio and \$26.2 million (after tax) for loss on



## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

sale of securities are as follows: Return on average assets - 1.20%;  
Return on average stockholders' equity - 16.30%, and Efficiency - 54.85%.

- (c) Ratios for 2000 excluding \$44.0 million (after tax) for gain on sale of credit card portfolio and \$26.2 million (after tax) for loss on sale of securities are as follows: Return on average assets - 1.19%, Return on average stockholders' equity - 15.76%, and Efficiency - 56.19%.
- (d) Ratios for 1998 excluding \$80.7 million (after tax) for nonrecurring merger and consolidation charges are as follows: Return on average assets - 1.48%, Return on average stockholders' equity - 17.42%, and Efficiency - 54.13%.
- (e) Ratios for 1996 excluding \$20.2 million (after-tax) charge for SAIF assessment and merger expenses are as follows: Return on average assets - 1.33%, Return on average stockholders' equity - 15.64%, and Efficiency - 60.93%.

10

17

### Selected Historical Financial Data of First Bancshares

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED D		
	2001	2000	2000	1999	199
	(Unaudited)		(In thousands, except per		
INCOME STATEMENT DATA:					
Total interest income .....	\$ 5,591	\$ 5,236	\$ 10,825	\$ 9,533	\$ 8
Total interest expense .....	2,132	1,899	4,064	3,374	3
Net interest income .....	3,459	3,337	6,761	6,159	5
Provision (benefit) for loan losses ....	61	--	--	94	
Net interest income after loan loss provision (benefit) .....	3,398	3,337	6,761	6,065	5
Total noninterest income excluding security gains (losses) .....	1,303	1,270	2,523	2,396	1
Security gains (losses) .....	--	--	17	(46)	
Total noninterest expense .....	4,090 (a)	3,209	7,036	6,486	6
Income tax expense .....	149	453	630	358	
Net income .....	462 (a)	945	1,635	1,571	1
PER SHARE DATA:					
Net income .....	\$ .29	\$ .62	\$ 1.08	\$ .98	\$
Net income - diluted .....	.27	.52	.90	.83	
Cash dividends .....	.20	.20	.40	.40	
Book value .....	7.86	6.67	7.47	6.35	
OTHER INFORMATION:					
Average number of shares outstanding ...	1,591	1,524	1,520	1,596	1
Average number of shares outstanding, - diluted .....	1,741	1,824	1,820	1,896	2
STATEMENT OF CONDITION DATA (PERIOD END):					
Total assets .....	\$169,150	\$147,322	\$ 150,116	\$ 140,440	\$ 131
Securities .....	58,091	50,026	49,303	52,076	51

# Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

Loans, net of unearned income .....	85,892	76,612	79,559	74,400	64,400
Allowance for loan losses .....	857	815	825	802	799
Total deposits .....	151,828	133,625	135,655	119,347	118,347
Long-term debt .....	1,900	1,000	2,005	1,200	1,100
Stockholders' equity .....	13,103	10,152	11,321	9,687	11,321
PERFORMANCE RATIOS:					
Return on average assets(1) .....	.58%	1.27%	1.13%	1.15%	1.15%
Return on average stockholders' equity(1) .....	7.95	19.23	15.17	15.17	15.17
Net interest margin(1) .....	4.99	5.45	5.45	4.74	4.74
Efficiency (2) .....	87.00	69.65	75.79	76.66	76.66
Dividend payout .....	70.56	32.28	37.25	38.57	38.57
ASSET QUALITY RATIOS:					
Net charge-offs to average loans, net of unearned income(1) .....	.03%	(.02)%	(.03)%	.13%	.13%
Problem assets to net loans and other real estate (3) .....	.02	.03	.19	.09	.09
Nonperforming assets to net loans and other real estate (4) .....	.02	.03	.19	.09	.09
Allowance for loan losses to loans, net of unearned income .....	1.00	1.06	1.04	1.08	1.08
Allowance for loan losses to nonperforming assets (4) .....	579.05	550.68	557.43	1,215.15	200.00

11

18

## Selected Historical Financial Data of First Bancshares - Continued

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DEC 31,		
	2001	2000	2000	1999	1998
	(Unaudited)		(In thousands, except per share)		
LIQUIDITY AND CAPITAL RATIOS:					
Average stockholders' equity to average assets.....	7.35%	6.61%	7.23%	7.61%	9.15%
Average loans to average deposits.....	56.93	54.18	60.38	58.45	52.18
Tier 1 risk-based capital (5).....	11.05	12.96	10.79	11.96	15.18
Total risk-based capital (5).....	11.81	12.97	11.63	12.92	16.18
Tier 1 leverage (5).....	6.60	8.02	6.89	7.13	7.13

(1) Interim period ratios are annualized.

(2) Noninterest expense divided by the sum of net interest income (taxable-equivalent basis) and noninterest income net of gains (losses) from security transactions.

(3) Problem assets include loans on a nonaccrual basis, restructured loans, and foreclosed properties.

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

- (4) Nonperforming assets include loans on a nonaccrual basis, restructured loans, loans 90 days or more past due, and foreclosed properties.
- (5) The required minimum Tier 1 and total capital ratios are 4% and 8%, respectively. The minimum leverage ratio of Tier 1 capital to total assets is 3% to 5%.
- (a) In connection with the exercise of outstanding stock options and stock appreciation rights in May 2001, First Bancshares recognized compensation expense of \$600,000.

12

19

### RISK FACTORS

#### GENERAL

If the merger is completed, you will receive shares of Regions common stock in exchange for your shares of First Bancshares common stock unless you dissent from the merger. You should be aware of particular risks and uncertainties that are applicable to an investment in Regions common stock. Specifically, there are risks and uncertainties that bear on Regions' future financial results and that may cause Regions' future earnings and financial condition to be less than Regions' expectations.

Some of the risks and uncertainties involved in an investment in Regions common stock relate to economic conditions generally and would affect other financial institutions in similar ways. These aspects are discussed in this proxy statement-prospectus under the heading "Forward-Looking Statements" on page 58. This section addresses particular risks and uncertainties that are specific to Regions.

#### RISKS RELATING TO THE MERGER

FIRST BANCSHARES STOCKHOLDERS MAY RECEIVE SHARES OF REGIONS COMMON STOCK VALUED AT LESS THAN \$26.00 PER SHARE AT THE TIME WE COMPLETE THE MERGER. The exchange ratio of .589 of a share may be increased based on the average of the daily last sales prices of Regions common stock over the five full trading days following the mailing of this proxy statement-prospectus. If such average is less than \$26.00, then the exchange ratio will be increased based on a formula in the merger agreement. See "The Merger-Possible Adjustment of Exchange Ratio." However, the exact value of Regions common stock on the date we complete the merger will not be known until that date. If the market price of Regions common stock on the date we complete the merger is lower than the average of the daily last sales prices of Regions common stock used to determine the exchange ratio, the value of each share of Regions common stock you receive in exchange for your shares of First Bancshares common stock may be less than \$26.00 on the date we complete the merger or the date you receive your Regions stock certificate. The trading price of Regions common stock could fluctuate depending upon any number of reasons, including those specific to Regions and those that influence the trading prices of equity securities generally. You should be aware that the value of the Regions common stock you receive in the merger may be less at the time we complete the merger than at the time the exchange ratio becomes fixed, whether or not the exchange ratio is adjusted.

REGIONS MAY NOT BE ABLE TO SUCCESSFULLY ASSIMILATE THE OPERATIONS OF FIRST BANCSHARES' OR OTHER CONTEMPORANEOUS OR FUTURE ACQUIRED ENTITIES INTO REGIONS' OPERATIONS. Based on its past history, it is likely that Regions will make acquisitions of other financial institutions both contemporaneously with the merger and after the merger is completed. These acquisitions involve the

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

assimilation of companies that have previously operated independently of each other. Successful assimilation of the operations of First Bancshares' and other acquired entities will depend primarily on Regions' ability to consolidate operations, systems and procedures and to reduce costs. Regions may not be able to assimilate such operations without encountering difficulties, including the loss of key employees and customers and unexpected problems with operations, personnel, or technology.

REGIONS' ACQUISITION STRATEGY COULD POSE RISKS OF FUTURE STOCKHOLDER DILUTION OR REDUCTION OF CAPITAL, WHICH IN TURN COULD REDUCE THE VALUE OF AN INVESTMENT IN REGIONS COMMON STOCK. Regions has grown

13

20

through acquisitions in recent years, and Regions from time to time evaluates strategic opportunities in the banking industry and in the related financial services industries. If Regions makes acquisitions in the future, one or more of those possible future acquisitions could be material to Regions. Regions may issue common stock to pay for those future acquisitions, which could dilute the ownership interest of all Regions stockholders at the time of any such acquisition. Regions may also use cash or other liquid assets or incur debt to complete future acquisitions. In those events, Regions could become more susceptible to economic downturns and competitive pressures.

### THE SPECIAL MEETING

#### GENERAL

This proxy statement-prospectus is being furnished to the stockholders of First Bancshares of Texas, Inc. in connection with the solicitation by the First Bancshares board of directors of proxies for use at a special meeting of stockholders, at which First Bancshares stockholders will be asked to vote upon a proposal to approve the agreement and plan of merger dated as of August 3, 2001, by and between First Bancshares and Regions Financial Corporation. Participants in the First Bancshares employee stock ownership plan are entitled to direct the trustees of the Plan how to vote the shares of First Bancshares' common stock held by the plan. A separate request for voting instructions directing the trustees how to vote the shares held by the First Bancshares employee stock ownership plan will be sent to the participants in the plan.

The special meeting will be held at \_\_\_\_:00 p.m., local time, on \_\_\_\_\_, 2001, at the main offices of First Bancshares, located at 2001 Kirby Drive, Suite 808, Houston, Texas, 77019.

First Bancshares stockholders are requested promptly to sign, date, and return the accompanying proxy card to First Bancshares in the enclosed postage-paid, addressed envelope. A stockholder's failure to return a properly executed proxy card or to vote at the special meeting will have the same effect as a vote against the merger agreement.

Any First Bancshares stockholder who has delivered a proxy may revoke it at any time before it is voted by giving notice of revocation in writing or submitting to First Bancshares a signed proxy card bearing a later date, provided that such notice or proxy card is actually received by First Bancshares before the special meeting or in open meeting prior to the taking of the stockholder vote at the special meeting. Any notice of revocation should be sent to First Bancshares of Texas, Inc., 2001 Kirby Drive, Suite 808, Houston, Texas,

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

77019, Attention: Mary Melville, Corporate Secretary. A proxy will not be revoked by death of the stockholder executing the proxy, or if the stockholder becomes incompetent after submitting a signed proxy, unless, before the vote, notice of such death or incapacity is filed with the Secretary. The shares of First Bancshares common stock represented by properly executed proxies received at or prior to the special meeting and not subsequently revoked will be voted as directed in such proxies. IF INSTRUCTIONS ARE NOT GIVEN, SHARES REPRESENTED BY PROXIES RECEIVED WILL BE VOTED FOR APPROVAL OF THE MERGER AGREEMENT AND IN THE DISCRETION OF THE PROXY HOLDER AS TO ANY OTHER MATTERS THAT PROPERLY MAY COME BEFORE THE SPECIAL MEETING. IF NECESSARY, AND UNLESS CONTRARY INSTRUCTIONS ARE GIVEN OR YOU HAVE VOTED AGAINST THE MERGER, THE PROXY HOLDER ALSO MAY VOTE IN FAVOR OF A PROPOSAL TO ADJOURN THE SPECIAL MEETING TO PERMIT FURTHER SOLICITATION OF PROXIES IN ORDER TO OBTAIN SUFFICIENT VOTES TO APPROVE THE

14

21

MERGER AGREEMENT. As of the date of this proxy statement-prospectus, First Bancshares is unaware of any other matter to be presented at the special meeting.

First Bancshares will solicit proxies by mail, and possibly by telephone or telegram or in person by the directors, officers, and employees of First Bancshares, who will receive no additional compensation for such solicitation but may be reimbursed for out-of-pocket expenses. Brokerage houses, nominees, fiduciaries, and other custodians will be requested to forward solicitation materials to beneficial owners and will be reimbursed for their reasonable out-of-pocket expenses.

First Bancshares stockholders should not forward any stock certificates with their proxy cards.

### RECORD DATE; VOTE REQUIRED

First Bancshares' board of directors has established the close of business on \_\_\_\_\_, 2001, as the record date for determining the First Bancshares stockholders entitled to notice of and to vote at the special meeting. Only First Bancshares stockholders of record as of the record date will be entitled to vote at the special meeting. As of the record date, there were approximately \_\_\_\_\_ holders of \_\_\_\_\_ shares of the \$1.00 par value common stock of First Bancshares outstanding and entitled to vote at the special meeting. Each share is entitled to one vote. For information as to persons known by First Bancshares to beneficially own more than 5.0% of the outstanding shares of First Bancshares common stock as of the record date, see "Information About First Bancshares- Voting Securities and Principal Stockholders."

The presence, in person or by proxy, of a majority of the outstanding shares of First Bancshares common stock entitled to vote at the special meeting is necessary to constitute a quorum of the stockholders. A quorum must be present before a vote on the merger agreement can be taken at the special meeting. For these purposes, shares of First Bancshares common stock that are present, or represented by proxy, at the special meeting will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on the merger agreement for any reason, including broker nonvotes. Generally, a broker who holds shares of First Bancshares common stock in "street" name on behalf of a beneficial owner lacks authority to vote such shares in the absence of specific voting instructions from the beneficial owner.

Once a quorum is established, approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of First Bancshares common stock entitled to vote at the special meeting. A failure

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

to vote, in person or by proxy, for any reason, including failure to return a properly executed proxy, an abstention, or a broker nonvote, has the same effect as a vote against the merger agreement.

The directors and executive officers of First Bancshares and their affiliates possessed or shared the power to vote, as of the record date, 661,129 shares (or approximately 38.04% of the outstanding shares) of First Bancshares common stock. The directors of First Bancshares have agreed to vote those shares of First Bancshares common stock over which they have voting control (other than as a fiduciary) in favor of the merger. The directors and executive officers of Regions and their affiliates beneficially owned, as of the record date, no shares of First Bancshares common stock. As of that date, no subsidiary of either First Bancshares or Regions held any shares of First Bancshares common stock as a fiduciary for others.

15

22

### THE MERGER

The following material describes certain aspects of the merger of First Bancshares with and into Regions. This description does not purport to be complete and is qualified in its entirety by reference to the Appendices hereto, including the merger agreement, which is attached as Appendix A to this proxy statement-prospectus and incorporated herein by reference. All stockholders are urged to read the Appendices in their entirety.

#### GENERAL

The merger agreement provides generally for the acquisition of First Bancshares by Regions pursuant to the merger of First Bancshares with and into Regions, with Regions as the surviving corporation resulting from the merger.

On the date and at the time that the merger becomes effective, each share of First Bancshares common stock (excluding shares held by First Bancshares, Regions, or their respective subsidiaries, in each case other than shares held as a fiduciary or as a result of debts previously contracted, and excluding all shares held by stockholders who perfect their dissenters' rights) issued and outstanding at the effective time of the merger will be converted into .589 of a share of the \$.625 par value common stock of Regions, subject to possible adjustment as described below under the caption "--Possible Adjustment of Exchange Ratio." Each share of Regions common stock outstanding immediately prior to the effective time of the merger will remain outstanding and unchanged as a result of the merger.

No fractional shares of Regions common stock will be issued in connection with the merger. Instead of Regions issuing fractional shares, each First Bancshares stockholder will receive a cash payment equal to the fractional part of a share which the stockholder would otherwise receive multiplied by the most recent last sale price of Regions common stock on the Nasdaq National Market (as reported by The Wall Street Journal, or, if not reported thereby, by another authoritative source selected by Regions), as of the time we complete the merger.

#### POSSIBLE ADJUSTMENT OF EXCHANGE RATIO

If we complete the merger, you will receive .589 of a share of Regions common stock in exchange for each of your shares of First Bancshares common stock unless this exchange ratio is adjusted as described below.

If the average of the daily last sales prices of Regions common stock

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

for the five consecutive full trading days following the mailing of this proxy statement-prospectus (the "average closing price") is less than \$26.00 or greater than \$36.00, then the exchange ratio will be adjusted as follows:

If the average closing price is less than \$26.00, then the exchange ratio shall be increased to the quotient (rounded to the nearest one-thousandth) obtained by dividing:

the product of \$26.00 and the exchange ratio (as then in effect)  
by  
the "average closing price."

16

23

If the average closing price is greater than \$36.00, then the exchange ratio shall be decreased to the quotient (rounded to the nearest one-thousandth) obtained by dividing:

the product of \$36.00 and the exchange ratio (as then in effect)  
by  
the "average closing price."

This adjustment formula reflects the parties' intention that, for the period of time between the date of the merger agreement and the approximate date of the mailing of this proxy statement-prospectus, First Bancshares' stockholders will not bear the risk of a decline in the market value of Regions common stock below \$26.00 per share, and will not realize the benefit of an increase in the market value of Regions common stock above \$36.00 per share, both as measured by the "average closing price" over such five-trading-day period. This formula is intended to result in you receiving, in exchange for each share of First Bancshares common stock you own, Regions common stock having a minimum value that approximates \$15.31 and a maximum value that approximates \$21.20 as of the time of the mailing of this proxy statement-prospectus. You should understand that these amounts are only approximations, because of the likely difference between the "average closing price" and the trading price of Regions common stock on any given date.

The operation of the formula can be illustrated by the following three scenarios.

- If the "average closing price" over such five-trading-day period were \$24.00, then the "average closing price" would be less than \$26.00 so the exchange ratio would be adjusted, and the new exchange ratio computed pursuant to the formula would be .638.
- If the "average closing price" over such five-trading-day period were equal to or greater than \$26.00 and equal to or less than \$36.00, then there would be no adjustment and the exchange ratio would remain at .589.
- If the "average closing price" over such five-trading-day period were \$38.00, then the "average closing price" would be greater than \$36.00 so the exchange ratio would be adjusted, and the new exchange ratio computed pursuant to the formula would be .558.

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

The actual market value of a share of Regions common stock at the time we complete the merger and at the time certificates for those shares are delivered following surrender and exchange of certificates for shares of First Bancshares common stock may be more or less than the "average closing price" computed prior to the special meeting as described above. Therefore, you bear the risk of any decline in the market value of Regions common stock after the exchange ratio becomes fixed, which will occur on or about \_\_\_\_\_, 2001. We urge you to obtain current market quotations for Regions common stock. See "Comparative Market Prices and Dividends."

### BACKGROUND OF THE MERGER

17

24

For the last several years and in the normal course of business, First Bancshares has received inquiries regarding its level of interest in either acquisition or affiliation with other financial institutions. During these years, the banking and financial services industry has witnessed significant developments including increasing use of technology, escalating costs of providing products and services, and expanding competition from other financial service institutions.

As the board of directors analyzed the developing market and the dynamics of First Bancshares, several factors came to light. Based on historical data and pro forma financials, the continuing asset growth of First Bank of Texas had created a need for additional capital. Between year-end 1997 and year-end 2000, First Bank of Texas experienced a 29.86% increase in assets. During the first six months of 2001, the asset growth was approximately 12.7%. Since asset size is the basis for capital requirements, it was clear that capital would have to be increased.

Another factor considered by the directors was the growth of the northwest Harris County market. There was significant increase not only in individual customers but also in the number and size of small businesses. As these small businesses grew, their borrowing needs also increased. Due to the \$2.0 million limitation on the indebtedness to any one borrower caused by its capital structure, First Bank of Texas was increasingly forced to offer a limited response to its larger customers. As a result, many customers chose to go to a financial institution with a larger lending limit.

Changes in the banking laws in recent years have resulted in competition not only from traditional commercial banks but also from savings banks and credit unions as well as brokerage companies. All of these types of institutions are now directly competing with commercial banks for customers of all sizes. Increasingly, the customer base of First Bank of Texas is becoming more sophisticated in financial matters and requires an even larger array of services and products.

As First Bank of Texas has attempted to keep pace with the technological requirements of the financial world, this has required significant expense and the development of additional products and services. Increasingly, the average customer of First Bank of Texas is expecting services with a higher degree of technology.

The need for additional capital, upgraded technology, and enhanced products and services caused the directors basically to choose between diluting the current stockholders by selling more stock to raise additional capital or finding a partner for First Bancshares. While the fiduciary responsibility of



## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

the board dictated that it pay particular attention to the financial strength of any other party, it was also extremely important to the directors that any partner have a culture that would blend with both the customers and employees of the bank.

The board of directors of First Bancshares sought professional advice in June 2000 when it retained SAMCO Capital Markets, a division of Service Asset Management Company ("SAMCO"), as an advisor. The board of directors authorized SAMCO to contact several financial institutions that management, in

18

25

conjunction with SAMCO, had identified as possible merger partners, to solicit indications of possible interest in affiliating with First Bancshares. One of the institutions initially solicited was Regions, which expressed an interest in pursuing further discussions. After further discussions with Regions' representatives, the board of directors concluded that the transaction with Regions was in the best interests of both First Bancshares and its stockholders, and First Bancshares and Regions proceeded to negotiate a definitive merger agreement. The board of directors approved the merger agreement, and it was executed as of August 3, 2001.

### FIRST BANCSHARES' REASONS FOR THE MERGER.

In approving the merger, the directors of First Bancshares considered a number of factors. Without assigning any relative or specific weights to the factors, the First Bancshares board of directors considered the following material factors:

- the information presented to the directors by the management of First Bancshares concerning the business, operations, management earnings, asset quality, financial condition and future prospects of First Bancshares and Regions;
- the financial terms of the merger, including the relationship of the merger price to the prices received by other comparable banking organizations in other financial institution mergers;
- the nonfinancial terms of the merger, including the treatment of the merger as a tax-free exchange of First Bancshares common stock for Regions common stock for federal and state income tax purposes;
- the opinion rendered by First Bancshares' financial advisor to the effect that, from a financial point of view, the exchange of First Bancshares common stock for Regions common stock on the terms and conditions set forth in the merger agreement is fair to the holders of First Bancshares common stock;
- the increased liquidity that stockholders of First Bancshares will receive with respect to Regions common stock, which is publicly traded on the Nasdaq National Market; as there is no current public market for First Bancshares common stock;
- the prospects for First Bancshares continuing to operate as an independent community-based banking organization, including increasing capital requirements, competitive and regulatory burdens, and technological challenges facing community banks;
- the potential for increased dividends;

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

- the partial protection afforded to stockholders of First Bancshares in the event of a decline in the market value of the Regions common stock; and
- the non-economic terms of the transaction, such as the impact on existing customers and employees.

The foregoing discussion of the information and factors considered by the First Bancshares board of directors is not intended to be exhaustive but includes all material factors considered by the board of directors. In reaching its determination to approve the merger and the merger agreement, the First Bancshares board of directors did not assign any relative or specific weights to the foregoing factors, and individual directors may have given differing weights to different factors. After deliberating with respect to the merger, and considering, among other things, the matters discussed above, the First Bancshares board of directors determined that the merger is in the best interests of First Bancshares and its

19

26

stockholders and unanimously approved the merger agreement. Each member of the board of directors of First Bancshares has agreed to vote those shares of First Bancshares common stock over which such member has voting authority (other than as a fiduciary) in favor of the merger and the merger agreement.

The terms of the merger were the result of arms-length negotiations between representatives of First Bancshares and representatives of Regions. Based upon the consideration of the foregoing factors, the board of directors of First Bancshares unanimously approved the merger as being in the best interests of First Bancshares and its stockholders.

First Bancshares' board of directors unanimously recommends that First Bancshares stockholders vote "FOR" approval of the merger agreement.

REGIONS' REASONS FOR THE MERGER.

In approving the merger agreement and the merger, the Regions board of directors considered a number of factors concerning the benefits of the merger, including the following:

- **Information Concerning First Bancshares:** The Regions board of directors considered information concerning the business, operations, earnings, asset quality, and financial condition of First Bancshares, and aspects of the First Bancshares franchise, including the market position of First Bancshares in each of the markets in which it operates and the compatibility of the community bank orientation of the operations of First Bancshares to that of Regions. The Regions board of directors concluded that First Bancshares is a sound, well managed financial institution which is well positioned in its market areas and which presents an attractive opportunity for Regions to add to its franchise in the Texas market.
- **Financial Terms of the Merger:** The Regions board of directors considered various financial aspects of the merger as reported by Regions' management including (1) the anticipated effect of the merger on Regions' per share earnings (with the merger anticipated to have no significant effect on Regions' earnings per share), (2) the anticipated effect of the merger on Regions' book value per share (with the merger anticipated not to dilute significantly Regions' book value per share),

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

(3) a comparison of First Bancshares to selected peer banks and a comparison of pricing aspects of the merger to pricing characteristics of other merger transactions involving financial institutions, and (4) the accounting treatment of the merger as a purchase.

- Nonfinancial Terms of the Merger: The Regions board of directors considered various nonfinancial aspects of the merger, including the treatment of the merger as a tax-free exchange of First Bancshares common stock for Regions common stock for federal income tax purposes and the likelihood of the merger being approved by applicable regulatory authorities without undue conditions or delay.

The foregoing discussion of the information and factors considered by the Regions board of directors is not intended to be exhaustive but includes all material factors considered by the Regions board of directors. In reaching its determination to approve the merger and the merger agreement, the Regions board of directors did not assign any relative or specific weights to the foregoing factors, and individual directors may have given differing weights to different factors. After deliberating with respect to the merger, and considering, among other things, the matters discussed above, the Regions board of directors determined that the merger is in the best interests of Regions and its stockholders and unanimously approved the merger and the merger agreement.

20

27

### OPINION OF FIRST BANCSHARES' FINANCIAL ADVISOR

First Bancshares has retained Hoefer & Arnett, Incorporated to act as financial advisor in connection with the merger. As part of this engagement, Hoefer & Arnett agreed to render to First Bancshares' board of directors an opinion with respect to the fairness to the stockholders of the consideration to be received in the merger from a financial point of view.

First Bancshares' board of directors retained Hoefer & Arnett to render a fairness opinion because Hoefer & Arnett is a nationally recognized investment banking firm with substantial expertise in transactions similar to the proposed transaction and is familiar with First Bancshares and its business. The firm is a member of the National Association of Securities Dealers (NASD) with direct access to inter-dealer markets in NASD automated quotation (NASDAQ) and over-the-counter (OTC) securities, and makes markets in securities under its symbol "HOFR." As part of its investment banking activities, Hoefer & Arnett is regularly engaged in the independent valuation of financial institutions and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Hoefer & Arnett has not previously provided investment banking and financial advisory services to First Bancshares.

At a meeting of First Bancshares' board of directors on August 3, 2001, Hoefer & Arnett rendered to First Bancshares' board of directors a verbal opinion that, as of such date, and subject to various assumptions and matters considered, the terms of the proposed merger of First Bancshares with and into Regions were fair to the holders of shares of the common stock of First Bancshares from a financial point of view. Hoefer & Arnett has confirmed its August 3, 2001 oral opinion by delivery of its written opinion to First Bancshares' board of directors, dated the date of this proxy statement, that based upon and subject to various assumptions, matters considered and limitations described therein, the terms of the proposed merger of First Bancshares with and into Regions are fair to the holders of shares of the common stock of First Bancshares from a financial point of view.

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

The full text of the Hoefer & Arnett opinion as of the date hereof, which sets forth certain assumptions made, matters considered, and limits on the review undertaken, is attached hereto as Appendix B. You are urged to read the Hoefer & Arnett opinion in its entirety.

No limitations were imposed by First Bancshares' board of directors upon Hoefer & Arnett with respect to the investigations made or procedures followed in rendering its opinion. Hoefer & Arnett's opinion is based on the financial analysis described below. Hoefer & Arnett's opinion is for the use and benefit of First Bancshares' board of directors in connection with its consideration of the proposed transaction. Hoefer & Arnett's opinion is not intended to be and does not constitute a recommendation to any First Bancshares stockholder as to how such stockholder should vote with respect to the proposed transaction. Hoefer & Arnett's opinion does not address First Bancshares' underlying business decision to proceed with the proposed transaction.

In arriving at its opinion, Hoefer & Arnett reviewed and analyzed, among other things, the following:

- the merger agreement;

21

28

- annual reports to stockholders of First Bancshares for the years ended December 31, 1999 and December 31, 2000, quarterly reports of condition and income for the quarters ended June 30, 2000, September 30, 2000, December 31, 2000, March 31, 2001 and June 30, 2001;
- financial statements for Regions included in its annual reports on Form 10-K for the years ended December 31, 1999 and December 31, 2000, quarterly reports on Form 10-Q for quarters ended June 30, 2000, September 30, 2000, December 31, 2000, March 31, 2001 and June 30, 2001;
- financial analyses and forecasts for First Bancshares prepared by management;
- Hoefer & Arnett held discussions with senior management of First Bancshares concerning its past and current operations, financial condition and prospects, as well as the results of regulatory examinations;
- selected investment research reports on and earnings estimates for Regions;
- certain other publicly available financial and other information concerning First Bancshares and Regions;
- the nature and financial terms of certain other merger and acquisition transactions involving banks and bank holding companies; and
- such other financial studies, analyses and investigations as it deemed appropriate for purposes of its opinion.

In conducting its review and in arriving at its opinion, Hoefer & Arnett relied upon and assumed the accuracy and completeness of the financial and other information provided to it or publicly available, and did not attempt to independently verify the same. Hoefer & Arnett relied upon the management of First Bancshares as to the reasonableness of the financial and operating

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

forecasts, and projections (and the assumptions and bases therefor) provided to it, and Hoefer & Arnett assumed that such forecasts and projections reflect the best currently available estimates and judgments of First Bancshares management. Hoefer & Arnett also assumed, without independent verification, that the aggregate allowance for loan losses set forth in the financial statements of First Bancshares and Regions is adequate to cover such losses. Hoefer & Arnett did not make or obtain any evaluations or appraisals of the properties of First Bancshares or Regions, nor did it examine any individual loan credit files. For purposes of its opinion, Hoefer & Arnett assumed that the reorganization will have the tax, accounting and legal effects described in the Agreement and relied, as to legal matters, exclusively on counsel to First Bancshares and Regions, as to the accuracy of the disclosures set forth in the agreement. Hoefer & Arnett's opinion as expressed herein is limited to the fairness, from a financial point of view, to the holders of shares of common stock of First Bancshares with respect to the terms of the proposed merger of First Bancshares with and into Regions.

As a matter of policy, First Bancshares does not publicly disclose internal management forecasts, projections or estimates of the type furnished to Hoefer & Arnett in connection with its analysis of the financial terms of the proposed transaction, and such forecasts and estimates were not prepared with a view towards public disclosure. These forecasts and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of the management of First Bancshares, including without limitation to, the general economic, regulatory and competitive

22

29

conditions. Accordingly, actual results could vary materially from those set forth in such forecasts and estimates.

As more fully discussed below, Hoefer & Arnett considered such financial and other factors as Hoefer & Arnett deemed appropriate under the circumstances, including among others the following:

- the historical and current financial position and results of operations of First Bancshares and Regions, including interest income, interest expense, net interest income, net interest margin, provision for loan losses, noninterest income, noninterest expense, earnings, dividends, internal capital generation, book value, intangible assets, return on assets, return on stockholders' equity, capitalization, the amount and type of nonperforming assets, loan losses and the reserve for loan losses, all as set forth in the financial statements for First Bancshares and Regions;
- the assets and liabilities of First Bancshares and Regions, including the loan, investment and mortgage portfolios, deposits, other liabilities, historical and current liability sources and costs and liquidity; and
- Hoefer & Arnett's assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuation and its knowledge of the banking industry generally.

Hoefer & Arnett's opinion is necessarily based upon conditions as they existed and can be evaluated on the date of its opinion and the information made available to it through that date.

In connection with rendering its opinion to First Bancshares' board of

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

directors, Hoefer & Arnett performed a variety of financial analyses that are summarized below. Hoefer & Arnett believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and the processes underlying its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In its analyses, Hoefer & Arnett made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of First Bancshares and Regions. Any estimates contained in Hoefer & Arnett's analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Except as described below, none of the financial analyses performed by Hoefer & Arnett was assigned a greater significance by Hoefer & Arnett than any other.

The following is a summary of the financial analyses performed by Hoefer & Arnett in connection with providing its opinion.

Summary of Proposal. Hoefer & Arnett reviewed the terms of the proposed merger as described in the agreement. Pursuant to the agreement, each share of First Bancshares common stock, excluding shares held by any First Bancshares company or any Regions company, in each case other than in a fiduciary capacity or as a result of debts previously contracted, issued and outstanding at the effective time of the merger shall be converted into .589 of a share of Regions common stock (subject to adjustment as set forth in the following proviso, the "exchange ratio"); provided that (1) in the event the average closing

23

30

price is greater than \$36.00, the exchange ratio shall be equal to the quotient (rounded to the nearest thousandth) obtained by dividing (a) the product of \$36.00 and the exchange ratio (as then in effect) by (b) the average closing price and (2) in the event the average closing price is less than \$26.00, the exchange ratio shall be equal to the quotient (rounded to the nearest thousandth) obtained by dividing (a) the product of \$26.00 and the exchange ratio (as then in effect) by (b) the average closing price.

Based on 1,737,864 common shares outstanding at First Bancshares, an exchange ratio of .589 and a market price of \$32.00 for Regions, Regions will issue 1,023,602 shares to stockholders of First Bancshares for a total transaction value of \$32,755,264 or \$18.85 per share. A per share price of \$18.85 represents a price to stated book value at June 30, 2001 of 2.50x, a price to 2000 earnings of 17.51 and a price to total assets of 19.37%.

Analysis of Selected Bank Transactions. Hoefer & Arnett reviewed certain information relating to selected bank mergers and acquisitions announced between January 1, 2001 and July 31, 2001 in which the acquired banking organization was located in Texas (the "selected transactions"). It compared financial performance ratios at First Bancshares with financial performance ratios of the banking organizations making up the selected transactions and it compared the pricing multiples to be paid for First Bancshares with those paid in the selected transactions. This data was obtained from SNL Securities.

At June 30, 2001, total assets at First Bancshares equaled \$169.1 million, which was larger than the median asset size of \$89.4 million for the selected transactions. For the last twelve months ended December 31, 2000, First

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

Bancshares reported a return on average assets (ROAA) of 0.99% and a return on average equity (ROAE) of 11.24%. These figures were below the median ratios of 1.22% and 12.68% for ROAA and ROAE, respectively, for the selected transactions. At June 30, 2001, First Bancshares' equity to assets ratio equaled 7.75%, which was below the median of 8.96% for the selected transactions.

On the basis of the pricing multiples for the selected transactions, Hoefer & Arnett calculated a range of purchase prices as a multiple of tangible book value and earnings, and as a percentage of assets. The chart below shows the low, high and median for the selected transactions and the resulting price range for First Bancshares.

	Pricing Multiples for Selected Transactions			Per Share Value for First Bancshares	
	Low	High	Median	Low	High
Price/Book Value	1.31x	3.51x	1.66x	\$ 9.88	\$26.47
Price/Earnings	9.05	49.53	12.81	9.77	53.49
Price/Assets	13.55%	23.54%	18.41%	\$13.19	\$22.91

Based on the median multiples, this analysis resulted in a range of imputed values for First Bancshares' common stock of between \$12.52 and \$17.92, which is below the transaction value of \$18.85 per share.

Present Value Analysis. Hoefer & Arnett calculated the present value of theoretical future earnings of First Bancshares and compared the transaction value to the calculated present value of one share of First Bancshares' common stock on a stand-alone basis. Based on projected earnings for First Bancshares for 2001 through 2005, a discount rate of 12%, and including a residual value, the stand-alone present value of First Bancshares' common stock equaled \$13.59, which is below the transaction value of \$18.85 per share.

Discounted Cash Flow Analysis. Using a discounted cash flow analysis, Hoefer & Arnett estimated the net present value of the future streams of after-tax cash flow that First Bancshares could produce to

benefit a potential acquiror, referred to below as dividendable net income. Based on projected earnings for First Bancshares for 2001 through 2005, Hoefer & Arnett calculated assumed after-tax distributions to a potential acquiror such that its tier 1 leverage ratio would be maintained at 7.00%. Hoefer & Arnett calculated the sum of (1) the estimated terminal values per share of First Bancshares' common stock based on assumed multiples to First Bancshares' projected 2005 tangible equity and earnings using the multiples to be paid in the proposed transaction for First Bancshares, plus (2) the assumed 2001 to 2005 dividendable net income streams per share, discounted to present values at an assumed discount rate of 12%. This discounted cash flow analysis indicated implied values of \$12.03 per share and \$15.97 per share.

Pro Forma Analysis. Hoefer & Arnett compared the changes in the amount of earnings, book value and dividends attributable to one share of First Bancshares common stock before the merger with the amounts attributable to the

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

shares of Regions common stock for which such shares of First Bancshares would be exchanged under the Agreement.

Hoefer & Arnett's analysis analyzed a purchase price of \$32.8 million or \$18.85 per share, an exchange ratio of 0.589 to 1 (based upon the closing share price of Regions common stock on July 31, 2001 of \$32.00) and included pre-tax merger savings of \$680,000. On an equity per share basis, First Bancshares common stockholders are projected to experience appreciation ranging from 27.12% to 28.88% in the years 2002 through 2005. First Bancshares common stockholders are projected to experience earnings per share appreciation ranging from 8.88% to 13.77% in the years 2002 through 2005. On a dividend per share basis, First Bancshares common stockholders are projected to experience appreciation of 3.44% in 2002 and slight dilution in subsequent years.

**Stock Trading History.** Hoefer & Arnett reviewed and analyzed the historical trading prices and volumes for Regions common stock. In the previous twelve months, the price for Regions common stock has ranged from a low of \$19.875 to a high of \$32.99. A current market price of \$32.00 results in a price to book value of 1.90x and a price to trailing 12 months earnings multiple of 14.41x. The average volume of shares traded on a daily basis is 611,000.

**Other Analysis.** Hoefer & Arnett reviewed selected investment research reports on and earnings estimates for Regions. Hoefer & Arnett prepared an overview of the historical financial performance of First Bancshares and Regions.

The opinion expressed by Hoefer & Arnett was based upon market, economic and other relevant considerations as they existed and have been evaluated as of the date of the opinion. Events occurring after the date of issuance of the opinion, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of First Bancshares could materially affect the assumptions used in preparing the opinion.

In its engagement letter with Hoefer & Arnett, First Bancshares agreed to pay Hoefer & Arnett \$25,000 to review the terms of the transaction and to render a fairness opinion in connection with the merger.

The foregoing description of the opinion of Hoefer & Arnett is qualified in its entirety by reference to the full text of such opinion, which is attached hereto as Appendix B.

### EFFECTIVE TIME OF THE MERGER

After all conditions to the merger are satisfied or waived, Regions will file a certificate of merger with the Secretary of State of Delaware, and Regions and First Bancshares will file articles of merger with the Secretary of State of Texas. The merger will become effective on the date and at the time specified in such filings, or, if later, the date and time when both the Delaware certificate of merger has been filed by the Delaware Secretary of State and a certificate of merger has been issued by the Texas Secretary of State. Unless otherwise agreed upon by Regions and First Bancshares, and subject to the satisfaction or waiver of the conditions to the obligations of the parties to complete the merger, the parties will use their reasonable efforts to complete the merger not later than the last business day of the month during which the last of the following events occur: (1) the effective date (including the expiration of any applicable waiting period) of the last federal or state regulatory approval required for the merger and (2) the date on which the merger



## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

agreement is approved by the requisite vote of First Bancshares stockholders.

No assurance can be provided that the necessary stockholder and regulatory approvals can be obtained or that other conditions precedent to the merger can or will be satisfied. Regions and First Bancshares anticipate that all conditions to completion of the merger will be satisfied so that the merger can be completed during the fourth quarter of 2001. However, delays in the completion of the merger could occur.

The board of directors of either Regions or First Bancshares generally may terminate the merger agreement if the merger is not completed by March 31, 2002, unless the failure to complete by that date is the result of a breach of the merger agreement by the party seeking termination. See "-Conditions to Completion of the Merger" and "-Waiver, Amendment, and Termination of the Agreement."

### DISTRIBUTION OF REGIONS STOCK CERTIFICATES AND PAYMENT FOR FRACTIONAL SHARES

Promptly after the effective time of the merger, Regions will cause an exchange agent selected by Regions to mail to the former stockholders of First Bancshares a form letter of transmittal, together with instructions for the exchange of such stockholders' certificates representing shares of First Bancshares common stock for certificates representing shares of Regions common stock.

FIRST BANCSHARES STOCKHOLDERS SHOULD NOT SEND IN THEIR CERTIFICATES UNTIL THEY RECEIVE THE FORM LETTER OF TRANSMITTAL AND INSTRUCTIONS. Upon surrender to the exchange agent of certificates for First Bancshares common stock, together with a properly completed letter of transmittal, there will be issued and mailed to each holder of First Bancshares common stock surrendering such items a certificate or certificates representing the number of shares of Regions common stock to which such holder is entitled, if any, and a check for the amount to be paid instead of any fractional share interest, without interest. After the effective time of the merger, to the extent permitted by law, First Bancshares stockholders of record as of the effective time will be entitled to vote at any meeting of holders of Regions common stock the number of whole shares of Regions common stock into which their First Bancshares common stock has been converted, regardless of whether such stockholders have surrendered their First Bancshares common stock certificates. No dividend or other distribution payable after the effective time of the merger with respect to Regions common stock, however, will be paid to the holder of any unsurrendered First Bancshares certificate until the holder duly surrenders such certificate. Upon such surrender, all undelivered dividends and other distributions and, if applicable, a check for the amount to be paid instead of any fractional share interest will be delivered to such stockholder, in each case without interest.

After the effective time of the merger, a First Bancshares stockholder will be unable to transfer shares of First Bancshares common stock. If a certificate representing shares of First Bancshares common stock is presented for transfer after the completion of the merger, it will be canceled and exchanged for shares of Regions common stock and a check for the amount due, if any, instead of a fractional share.

### CONDITIONS TO COMPLETION OF THE MERGER

Completion of the merger is subject to a number of conditions, including, but not limited to:

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

- the approval of the merger from the Board of Governors of the Federal Reserve System and the expiration of all applicable waiting periods associated with such approval, without any conditions or restrictions (excluding requirements relating to the raising of additional capital or the disposition of assets or deposits) that would, in the reasonable good faith judgment of Regions' board of directors, so materially adversely impact the economic or business benefits of the transactions contemplated by the merger agreement as to render inadvisable the completion of the merger;
- the approval of the merger agreement by the holders of the requisite number of shares of First Bancshares common stock;
- the absence of any action by any court, or governmental authority, or regulatory authority with appropriate jurisdiction prohibiting, restraining, or making illegal the completion of the merger and the other transactions contemplated by the merger agreement; and
- the receipt of a satisfactory opinion of counsel that the merger qualifies for federal income tax treatment as a reorganization under Section 368(a) of the Code, with the effects described under "--Federal Income Tax Consequences of the Merger," including, among others, that the exchange of First Bancshares common stock for Regions common stock will not give rise to recognition of gain or loss to First Bancshares stockholders, except to the extent of any cash received.

Completion of the merger also is subject to the satisfaction or waiver of various other conditions specified in the merger agreement which are customary in transactions of this nature, including, among others: (1) the delivery by Regions and First Bancshares of certificates executed by their respective duly authorized officers as to the satisfaction of certain conditions and obligations set forth in the merger agreement and (2) as of the effective time of the merger, the accuracy under the standard set forth in the merger agreement of certain representations and warranties and the compliance in all material respects with the agreements and covenants of each party.

### REGULATORY APPROVALS

The merger may not proceed in the absence of receipt of the requisite regulatory approvals. There can be no assurance that such regulatory approvals will be obtained or as to the timing of such approvals. It is also possible that any such approval may be accompanied by a conditional requirement which causes such approvals to fail to satisfy the conditions set forth in the merger agreement. Applications for the approvals described below have been submitted to the appropriate regulatory agencies.

Regions and First Bancshares are not aware of any material governmental approvals or actions that are required for completion of the merger, except as described below. Should any other approval or action be required, it presently is contemplated that such approval or action would be sought.

The merger requires the prior approval of the Federal Reserve Board, pursuant to Section 3 of the Bank Holding Company Act of 1956. In granting its approval under Section 3 of the Bank Holding Company Act, the Federal Reserve Board must take into consideration, among other factors, the financial and managerial resources and future prospects of the institutions and the convenience and needs of the communities to be served. The relevant statutes

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

prohibit the Federal Reserve Board from approving the merger (1) if it would result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States or (2) if its effect in any section of the country may be to substantially lessen competition or to tend to create a monopoly, or if it would be a restraint of trade in any other manner, unless the Federal Reserve Board finds that any anticompetitive effects are outweighed clearly by the public interest and the probable effect of the transaction in meeting the convenience and needs of the communities to be served. Under the Bank Holding Company Act, the merger may not be completed until the 30th day following the date of Federal Reserve Board approval, which may be shortened by the Federal Reserve Board to the 15th day, during which time the United States Department of Justice may challenge the transaction on antitrust grounds. The commencement of any antitrust action would stay the effectiveness of the Federal Reserve Board's approval, unless a court specifically orders otherwise.

The merger also is subject to the review of the Texas Department of Banking.

### WAIVER, AMENDMENT, AND TERMINATION OF THE MERGER AGREEMENT

Prior to the effective time of the merger, and to the extent permitted by law, any provision of the merger agreement generally may be (1) waived by the party benefitted by the provision or (2) amended by a written agreement between Regions and First Bancshares approved by their respective boards of directors; provided, however, that after approval by the First Bancshares stockholders, no amendment that pursuant to the Texas Business Corporation Act requires further approval of the First Bancshares stockholders, including decreasing the consideration to be received by First Bancshares stockholders, may be made without the further approval of such stockholders.

The merger agreement may be terminated, and the merger abandoned, at any time prior to the effective time of the merger, either before or after approval by First Bancshares stockholders, under certain circumstances, including:

- by mutual consent of the boards of directors of Regions and First Bancshares;
- by the board of directors of either party upon final denial of any required consent of any regulatory authority, if such denial is nonappealable or was not appealed within the time limit for appeal;
- by the board of directors of either party, if the holders of the requisite number of shares of First Bancshares common stock shall not have approved the merger agreement;
- by the board of directors of either party (provided the terminating party is not in material breach of any representation, warranty, covenant, or agreement included in the merger agreement), in the event of any inaccuracy in any representation or warranty by the other party which meets certain standards specified in the merger agreement and cannot be or has not been cured within 30 days after the giving of written notice to the breaching party;

- by the board of directors of either party (provided the terminating party is not in material breach of any representation, or warranty included in the merger agreement), in the event of a breach by the

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

other party of any covenant or agreement included in the merger agreement that cannot be cured within 30 days after giving notice to the breaching party; and

- by the board of directors of either party if the merger shall not have been completed by March 31, 2002, but only if the failure to complete the merger by such date has not been caused by the terminating party's breach of the merger agreement.

If the merger agreement is terminated, the parties will have no further obligations, except with respect to certain provisions, including those providing for payment of expenses and restricting disclosure of confidential information. Further, termination generally will not relieve the parties from the consequences of any uncured willful breach of the merger agreement giving rise to such termination.

### CONDUCT OF BUSINESS PENDING THE MERGER

Each of First Bancshares and Regions generally has agreed to operate its business only in the usual, regular, and ordinary course, and to use its reasonable best efforts to preserve intact its business organizations and assets and maintain its rights and franchises. Each has also agreed to take no action which would materially adversely affect the ability of either party to obtain any consents required for the merger or to perform its covenants and agreements under the merger agreement and to complete the merger. However, Regions and its subsidiaries are not prevented from discontinuing or disposing of any of its assets or business. Nor is Regions prevented from acquiring or agreeing to acquire any other entity or any assets thereof, if such action is, in the judgment of Regions, desirable in the conduct of the business of Regions and its subsidiaries. In addition, the merger agreement includes certain other restrictions applicable to the conduct of the business of First Bancshares prior to completion of the merger, as described below.

First Bancshares. First Bancshares has agreed not to take certain actions relating to the operation of its business pending completion of the merger without the prior written consent of Regions, which Regions has agreed it will not unreasonably withhold. The actions First Bancshares has agreed not to take are subject in some cases to exceptions for actions in the ordinary course of business consistent with First Bancshares 's past practice or subject to exceptions expressly recognized in the merger agreement. The specific agreements not to take certain actions, including the exceptions and contractually permitted actions, are set forth in the merger agreement, which is attached as Appendix A. See Article 7 of the merger agreement. The actions First Bancshares has agreed not to take are in the general categories of:

- amending its articles of incorporation, bylaws, or other governing instruments;
- incurring indebtedness in excess of \$500,000 or incurring material liens;
- acquiring any of its outstanding shares of stock or the shares of stock of its subsidiaries or making distributions in respect to its outstanding shares, except of the payment of regular dividends consistent with past practice;
- issuing additional securities;
- reclassifying capital stock or selling or encumbering assets;

- increasing employees' salaries and benefits or accelerating the vesting of any stock-based compensation or employee benefits;
- entering into or amending employment contracts;
- adopting employee benefit plans or amending existing plans;
- changing accounting methods or practices;
- commencing or settling litigation; or
- entering into or terminating material contracts.

In addition, First Bancshares has agreed not to solicit, directly or indirectly, encourage, or facilitate any acquisition proposal from any other person or entity. First Bancshares also has agreed not to negotiate with respect to any such proposal, provide nonpublic information to any party making such a proposal, or enter into any agreement with respect to any such proposal, except in compliance with the fiduciary obligations of its board of directors. In addition, First Bancshares has agreed to use reasonable efforts to cause its officers, directors, affiliates, advisors, and other representatives not to engage in any of the foregoing activities.

#### MANAGEMENT FOLLOWING THE MERGER

Upon completion of the merger, the present officers and directors of Regions will retain their respective positions with Regions. Information pertaining to the directors and executive officers of Regions, executive compensation, certain relationships and related transactions, and other related matters is included in Regions' Annual Report on Form 10-K for the year ended December 31, 2000, incorporated herein by reference. See "Where You Can Find More Information."

#### INTERESTS OF CERTAIN PERSONS IN THE MERGER

W. Allen Gage, the chairman of the board and president of First Bancshares, has entered into a three year consulting agreement with First Bank of Texas and Regions. The consulting agreement provides that Mr. Gage will serve as vice chairman of the board and vice president of First Bank of Texas from the effective date of the merger through August 31, 2002. On August 31, 2002, Mr. Gage shall cease serving as vice president but will continue to serve as vice chairman of First Bank of Texas. During this three year period, Mr. Gage will be paid based on an annual salary of \$250,000, and he will be subject to covenants not to compete with First Bank of Texas. Pursuant to the consulting agreement, Mr. Gage will terminate his previous employment agreement with First Bancshares upon the effectiveness of the merger.

Jim McCutchen, the president of First Bank of Texas, has entered into an employment agreement with First Bank of Texas and Regions. Pursuant to the employment agreement, Mr. McCutchen will serve as President of First Bank of Texas for a period of one year after the effectiveness of the merger. During this one year period, Mr. McCutchen will be paid based on an annual salary of \$96,000, and he will be subject to covenants not to compete with First Bank of Texas.

The merger agreement generally provides that Regions will indemnify and

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

hold harmless each person entitled to indemnification from First Bancshares or any of its subsidiaries to the full extent permitted by law, and that such rights will continue in full force and effect for six years from the effective time of the merger with respect to matters occurring at or prior to the effective time.

The merger agreement also requires Regions to use commercially reasonable efforts to maintain in effect for a period of three years after the effective time of the merger First Bancshares existing directors' and officers' liability insurance policy with respect to claims arising from acts or events which occurred prior to the effective time of the merger. Regions may substitute policies of at least the same coverage and amounts containing terms and conditions which are not less advantageous.

The merger agreement also provides that, after the effective time of the merger, Regions will provide generally to officers and employees of First Bancshares and its subsidiaries who, at or after the effective time, become officers or employees of Regions or its subsidiaries, employee benefits under employee benefit plans (other than stock option or other plans involving the potential issuance of Regions common stock) on terms and conditions that, taken as a whole, are substantially similar to those currently provided by Regions and its subsidiaries to their similarly situated officers and employees. For purposes of participation and vesting (but not benefit accrual) under such employee benefit plans, service with First Bancshares or its subsidiaries prior to the effective time of the merger will be treated as service with Regions or its subsidiaries. The merger agreement further provides that Regions will cause First Bancshares to honor all employment, severance, consulting, and other compensation contracts previously disclosed to Regions between First Bancshares or its subsidiaries and any current or former director, officer, or employee, and all provisions for vested amounts earned or accrued through the effective time of the merger under First Bancshares' benefit plans.

As of the record date, directors and executive officers of First Bancshares owned no shares of Regions common stock.

### DISSENTING STOCKHOLDERS

Pursuant to the provisions of the Texas Business Corporation Act, if the merger is consummated, any holder of First Bancshares common stock who (1) gives to First Bancshares, prior to the special meeting, written objection to the merger, and (2) does not vote in favor of the merger, shall be entitled to receive, upon compliance with the statutory requirements summarized below, the fair value of such holder's shares as of the day immediately preceding the special meeting, excluding any appreciation or depreciation in anticipation of the merger.

The written objection requirement referred to above will not be satisfied under the Texas statutory provisions by merely voting against approval of the merger agreement by proxy or in person at the special meeting. In addition to not voting in favor of the merger, a stockholder wishing to preserve the right to dissent and seek appraisal must give a separate written objection to the merger, setting out that the stockholder intends to exercise the right of dissent if the merger is effected. The written objection must also include the stockholder's address to which notice of the effectiveness of the merger is to be sent by the surviving corporation. Any written objection with notice of intent to exercise the right of dissent should be addressed as follows: First Bancshares of Texas, Inc., 2001 Kirby Drive, Suite 808, Houston, Texas, 77019, Attention: Corporate Secretary.

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

If the merger is effected, within ten days thereafter, Regions, as the surviving corporation, must deliver or mail to all holders of First Bancshares common stock who satisfied the foregoing requirements a written notice that the merger has been effected.

A stockholder of record who receives such notice must make written demand for payment of the fair value of such holder's shares within ten days after the delivery or mailing of the notice. Such written demand must state the number and class of the shares owned by the stockholder and the fair value of the shares as estimated by the stockholder. Pursuant to the Texas Business Corporation Act, any stockholder failing to make the written demand within the ten day period shall be bound by the terms of the merger.

Upon receiving a demand for payment from any dissenting stockholder, Regions as the surviving corporation shall make an appropriate notation in its stockholder records. Within 20 days after demanding payment for shares, the holder of any certificate representing such shares must submit the certificate to Regions for notation thereon that such demand has been made. Failure to do so, at the option of Regions, will terminate such stockholder's rights for valuation and payment of his shares, unless a court of competent jurisdiction for good and sufficient cause otherwise directs.

Within 20 days after receipt by Regions of a stockholder's written demand for payment, Regions must mail or deliver to such stockholder a written notice that either:

- accepts the amount declared in the demand and agrees to pay that amount within 90 days after the effective date of the merger and upon surrender of the stockholder's certificate representing the shares; or
- states Regions' estimate of the fair value of the shares and offers to pay the amount of that estimate within 90 days after the effective date of the merger and upon surrender of the stockholder's certificate representing the shares.

If within 60 days after the effective date of the merger the value of the shares is agreed upon between Regions and a dissenting stockholder, Regions is to make payment for the shares within 90 days after the effective date of the merger and upon surrender of the stockholder's certificate representing the shares. Upon payment of the agreed value, the stockholder shall cease to have any interest in the shares.

If a dissenting stockholder and Regions have not agreed upon the fair value of the shares within 60 days after the effective date of the merger, then either the stockholder or Regions may file a petition in any court of competent jurisdiction in Harris County, Texas, asking for a finding and determination of the fair value of the shares. If filed by a stockholder, service of the petition shall be had upon Regions as the surviving corporation and Regions must within 10 days after service file with the clerk of court a list with the names and addresses of all stockholders who have demanded payment and not reached agreement as to the fair value. If filed by Regions, the petition must be accompanied by such a list. The clerk of court shall give notice to Regions and all stockholders named on the list of the time and place fixed for the hearing of the petition.

After the hearing of the petition, the court shall determine the stockholders who have complied with the statutory requirements and have become entitled to the valuation of and payment for their shares, and the court shall appoint one or more qualified appraisers to determine the value. The appraisers may examine the books and records of First Bancshares, and shall afford the interested parties a reasonable

opportunity to submit pertinent evidence. The appraisers are to make a determination of the value upon such examination as they deem proper.

The appraisers shall file a report of the value in the office of the clerk of court, notice of which shall be given to the parties in interest. The parties in interest may submit exceptions to the report, which will be heard before the court upon the law and the facts. The court shall adjudge the fair value of the shares of the stockholders entitled to payment for their shares and shall direct the payment thereof by Regions as the surviving corporation, together with interest beginning 91 days after the effective date of the merger. However, the judgment shall be payable only upon and simultaneously with surrender of the certificates representing the shares, duly endorsed. Upon Regions' payment of the judgment, the dissenting stockholders shall cease to have any interest in the shares.

The court shall allow the appraisers a reasonable fee as court costs, and all court costs shall be allotted among the parties in the manner that the court determines to be fair and equitable, with the respective parties to bear their own attorneys fees.

Any stockholder who has demanded payment for such holder's shares may withdraw such demand at any time before payment or before any petition has been filed for valuation by the court. A demand may not be withdrawn after payment or, unless Regions consents, after such a petition has been filed in court. After a demand has been withdrawn, the stockholder and all claiming under the stockholder shall be conclusively presumed to have approved the merger and shall be bound thereby.

The foregoing is a summary of the material rights of a dissenting stockholder of First Bancshares, but is qualified in its entirety by reference to Articles 5.11, 5.12, and 5.13 of the Texas Business Corporation Act, included in Appendix C to this proxy statement-prospectus. It is not intended to expand or alter any right of dissent or payment to any stockholder and should not be so read. Stockholders' rights of dissent and payment are limited to those provided by law. Any First Bancshares stockholder who intends to exercise the right to dissent from the merger should carefully review the text of such provisions and should also consult with such holder's attorney. No further notice of the events giving rise to dissenters' rights or any steps associated therewith will be furnished to First Bancshares stockholders, except as indicated above or otherwise required by law.

Any dissenting First Bancshares stockholder who perfects such holder's right to be paid the value of such holder's shares will recognize taxable gain or loss upon receipt of cash for such shares for federal income tax purposes. See "-Federal Income Tax Consequences of the Merger."

#### FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

THE FOLLOWING IS A DISCUSSION OF THE MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO HOLDERS OF FIRST BANCSHARES COMMON STOCK. THIS DISCUSSION MAY NOT APPLY TO SPECIAL SITUATIONS, SUCH AS FIRST BANCSHARES STOCKHOLDERS, IF ANY, WHO HOLD FIRST BANCSHARES COMMON STOCK OTHER THAN AS A CAPITAL ASSET, WHO RECEIVED FIRST BANCSHARES COMMON STOCK UPON THE EXERCISE OF EMPLOYEE STOCK OPTIONS OR OTHERWISE AS COMPENSATION, WHO HOLD FIRST BANCSHARES COMMON STOCK AS PART OF A "STRADDLE" OR "CONVERSION TRANSACTION," OR WHO ARE INSURANCE COMPANIES, SECURITIES DEALERS, FINANCIAL INSTITUTIONS OR FOREIGN PERSONS, AND DOES NOT DISCUSS ANY ASPECTS OF STATE, LOCAL, OR FOREIGN TAXATION.



## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

THIS DISCUSSION IS BASED UPON LAWS, REGULATIONS, RULINGS AND DECISIONS NOW IN EFFECT AND ON PROPOSED REGULATIONS, ALL OF WHICH ARE SUBJECT TO CHANGE (POSSIBLY WITH RETROACTIVE EFFECT) BY

33

40

LEGISLATION, ADMINISTRATIVE ACTION, OR JUDICIAL DECISION. NO RULING HAS BEEN OR WILL BE REQUESTED FROM THE INTERNAL REVENUE SERVICE ON ANY MATTER RELATING TO THE TAX CONSEQUENCES OF THE MERGER.

Completion of the merger is conditioned upon receipt by Regions and First Bancshares of an opinion from Alston & Bird LLP, special counsel to Regions, concerning the material federal income tax consequences of the merger. Based upon the assumption that the merger is completed in accordance with the merger agreement and upon factual statements and factual representations made by Regions and First Bancshares, it is such firm's opinion that:

1. The merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986 (the "Code").

2. No gain or loss will be recognized by holders of First Bancshares common stock who exchange in the merger of all of their First Bancshares common stock solely for Regions common stock pursuant to the merger (except with respect to any cash received in lieu of fractional share interests in Regions common stock).

3. The tax basis of the Regions common stock received (including fractional shares deemed received and redeemed) by holders of First Bancshares common stock who exchange all of their First Bancshares common stock solely for Regions common stock in the merger will be the same as the tax basis of the First Bancshares common stock surrendered in exchange for the Regions common stock (reduced by an amount allocable to a fractional share interest in Regions common stock deemed received and redeemed).

4. The holding period of the Regions common stock received (including fractional shares deemed received and redeemed) by holders of First Bancshares common stock who exchange all of their First Bancshares common stock solely for Regions common stock in the merger will be the same as the holding period of the First Bancshares common stock surrendered in exchange therefor, provided that such First Bancshares common stock is held as a capital asset at the effective time of the merger.

5. The payment of cash to holders of First Bancshares common stock in lieu of fractional share interests of Regions common stock will be treated for federal income tax purposes as if the fractional shares were distributed as part of the exchange and then were redeemed by Regions. These cash payments will be treated as having been received as distributions in full payment in exchange for the Regions common stock redeemed, as provided in Section 302(a) of the Code.

6. Where solely cash is received by a holder of First Bancshares common stock in exchange for First Bancshares common stock pursuant to the exercise of dissenters' rights, such cash will be treated as having been received in redemption of such holder's First Bancshares common stock, subject to the provisions and limitations of Section 302 of the Code.

THE TAX OPINION DOES NOT ADDRESS ANY STATE, LOCAL, FOREIGN, OR OTHER TAX CONSEQUENCES OF THE MERGER. FIRST BANCSHARES STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF THE PROPOSED TRANSACTION TO THEM INDIVIDUALLY, INCLUDING TAX REPORTING REQUIREMENTS AND TAX

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

CONSEQUENCES UNDER STATE, LOCAL, AND FOREIGN LAW.

34

41

### ACCOUNTING TREATMENT

It is anticipated that the merger will be accounted for as a "purchase," as that term is used pursuant to accounting principles generally accepted in the United States, for accounting and financial reporting purposes. Under the purchase method of accounting, the assets and liabilities of First Bancshares as of the effective time of the merger will be recorded at their estimated respective fair values and added to those of Regions. Financial statements of Regions issued after the effective time will reflect such values and will not be restated retroactively to reflect the historical financial position or results of operations of First Bancshares.

### EXPENSES AND FEES

The merger agreement provides, in general, that each of the parties will bear and pay its own expenses in connection with the transactions contemplated by the merger agreement, including fees and expenses of its own financial or other consultants, investment bankers, accountants, and counsel, except that Regions will bear and pay all of the filing fees and one-half of the printing costs in connection with this proxy statement-prospectus.

### RESALES OF REGIONS COMMON STOCK

The Regions common stock to be issued to First Bancshares stockholders in the merger has been registered under the Securities Act of 1933, but that registration does not cover resales of those shares by persons who control, are controlled by, or are under common control with, First Bancshares (such persons are referred to hereinafter as "affiliates" and generally include executive officers, directors, and 10% stockholders) at the time of the special meeting. Affiliates may not sell shares of Regions common stock acquired in connection with the merger, except pursuant to an effective registration statement under the Securities Act or in compliance with Rule 145 promulgated under the Securities Act or in accordance with a legal opinion satisfactory to Regions that such sale or transfer is otherwise exempt from the Securities Act registration requirements.

Rule 145 promulgated under the Securities Act restricts the sale of Regions common stock received in the merger by affiliates and certain of their family members and related interests. Under the rule, during the one-year period following the effective time of the merger, affiliates of First Bancshares may resell publicly the Regions common stock received by them in the merger subject to certain limitations as to the amount of Regions common stock sold in any three-month period and as to the manner of sale, and subject to the timeliness of Regions' periodic reporting obligations with the Securities and Exchange Commission. After the one-year period and within two years following the effective time of the merger, affiliates of First Bancshares who are not affiliates of Regions may effect such resales subject only to the timeliness of Regions' periodic reporting requirements. After two years, such affiliates of First Bancshares who are not affiliates of Regions may resell their shares without restriction. Persons who are affiliates of Regions after the effective time of the merger may publicly resell the Regions common stock received by them in the merger subject to similar limitations and subject to certain filing requirements specified in SEC Rule 144. Affiliates will receive additional information regarding the effect of Rule 145 on their ability to resell Regions common stock received in the merger. Affiliates also would be permitted to resell Regions common stock received in the merger pursuant to an effective

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

registration statement under the Securities Act or an available exemption from the Securities Act registration requirements. This proxy statement-prospectus does not cover any resales of Regions common stock received by persons who may be deemed to be affiliates of First Bancshares or Regions.

35

42

Each person who First Bancshares reasonably believes is an affiliate of First Bancshares has delivered to Regions a written agreement providing that such person generally will not sell, pledge, transfer, or otherwise dispose of any Regions common stock to be received by such person upon completion of the merger, except in compliance with the Securities Act and the rules and regulations promulgated thereunder.

### EFFECT OF THE MERGER ON RIGHTS OF STOCKHOLDERS

As a result of the merger, holders of First Bancshares common stock will be exchanging their shares of a Texas corporation governed by the Texas Business Corporation Act and First Bancshares' articles of incorporation, as amended, and bylaws, for shares of Regions, a Delaware corporation governed by the Delaware General Corporation Law and Regions' certificate of incorporation and bylaws. Certain significant differences exist between the rights of First Bancshares stockholders and those of Regions stockholders. The material differences are summarized below. In particular, Regions' certificate of incorporation and bylaws contain several provisions that under certain circumstances may have an antitakeover effect in that they could impede or prevent an acquisition of Regions unless the potential acquirer has obtained the approval of Regions' board of directors. The following discussion is necessarily general; it is not intended to be a complete statement of all differences affecting the rights of stockholders and their respective entities, and it is qualified in its entirety by reference to the Texas Business Corporation Act and the Delaware General Corporation Law as well as to Regions' certificate of incorporation and bylaws and First Bancshares' articles of incorporation and bylaws.

#### ANTITAKEOVER PROVISIONS GENERALLY

The provisions of Regions' certificate of incorporation and bylaws described below under the headings, "-Authorized Capital Stock," "-Amendment of Certificate or Articles of Incorporation and Bylaws," "-Classified Board of Directors and Absence of Cumulative Voting," "-Removal of Directors," "-Limitations on Director Liability," "-Special Meetings of Stockholders," "-Actions by Stockholders Without a Meeting," "-Stockholder Nominations," and "-Mergers, Consolidations, and Sales of Assets Generally," and the provisions of the Delaware General Corporation Law described under the heading "-Business Combinations With Certain Persons," are referred to herein as the "protective provisions." In general, one purpose of the protective provisions is to assist Regions' board of directors in playing a role in connection with attempts to acquire control of Regions, so that the board of directors can further and protect the interests of Regions and its stockholders as appropriate under the circumstances, including, if the board of directors determines that a sale of control is in their best interests, by enhancing the board of directors' ability to maximize the value to be received by the stockholders upon such a sale.

Although Regions' management believes the protective provisions are, therefore, beneficial to Regions' stockholders, the protective provisions also may tend to discourage some takeover bids. As a result, Regions' stockholders may be deprived of opportunities to sell some or all of their shares at prices that represent a premium over prevailing market prices. On the other hand,

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

defeating undesirable acquisition offers can be a very expensive and time-consuming process. To the extent that the protective provisions discourage undesirable proposals, Regions may be able to avoid those expenditures of time and money.

36

43

The protective provisions also may discourage open market purchases by a potential acquirer. Such purchases may increase the market price of Regions common stock temporarily, enabling stockholders to sell their shares at a price higher than that which otherwise would prevail. In addition, the protective provisions may decrease the market price of Regions common stock by making the stock less attractive to persons who invest in securities in anticipation of price increases from potential acquisition attempts. The protective provisions also may make it more difficult and time consuming for a potential acquirer to obtain control of Regions through replacing the board of directors and management. Furthermore, the protective provisions may make it more difficult for Regions' stockholders to replace the board of directors or management, even if a majority of the stockholders believes such replacement is in the best interests of Regions. As a result, the protective provisions may tend to perpetuate the incumbent board of directors and management.

### AUTHORIZED CAPITAL STOCK

Regions. The certificate of incorporation authorizes the issuance of up to 500,000,000 shares of Regions common stock and 5,000,000 shares of preferred stock. At June 30, 2001, 229,133,874 shares of Regions common stock were issued, including 1,500,000 treasury shares, and 227,633,874 shares were issued and outstanding. No shares of preferred stock have been issued. Regions' board of directors may authorize the issuance of additional shares of Regions common stock or preferred stock without further action by Regions' stockholders, unless such action is required in a particular case by applicable laws or regulations or by any stock exchange upon which Regions' capital stock may be listed. The certificate of incorporation does not provide preemptive rights to Regions stockholders.

The authority to issue additional shares of Regions capital stock provides Regions with the flexibility necessary to meet its future needs without the delay resulting from seeking stockholder approval. The authorized but unissued shares of Regions common stock will be issuable from time to time for any corporate purpose, including, without limitation, stock splits, stock dividends, employee benefit and compensation plans, acquisitions, and public or private sales for cash as a means of raising capital. Such shares could be used to dilute the stock ownership of persons seeking to obtain control of Regions. In addition, the sale of a substantial number of shares of Regions common stock to persons who have an understanding with Regions concerning the voting of such shares, or the distribution or declaration of a dividend of shares of Regions common stock (or the right to receive Regions common stock) to Regions stockholders, may have the effect of discouraging or increasing the cost of unsolicited attempts to acquire control of Regions. Regions has committed not to issue shares of preferred stock for any anti-takeover purpose, including any purpose to make a change in control of Regions more costly or difficult.

First Bancshares. First Bancshares' authorized capital stock consists of 100,000,000 shares of First Bancshares common stock, and 10,000,000 shares of preferred stock issuable in series as determined by the board of directors of First Bancshares. As of the record date, there were 1,737,864 shares of First Bancshares common stock issued and outstanding, and no shares of First Bancshares preferred stock were issued and outstanding.

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

Pursuant to the Texas Business Corporation Act, First Bancshares' board of directors may authorize the issuance of additional shares of First Bancshares common stock or preferred stock without further action by First Bancshares' stockholders. First Bancshares' articles of incorporation, as amended, do not provide the stockholders of First Bancshares with preemptive rights to purchase or subscribe to any unissued authorized shares of First Bancshares common stock or preferred stock or any option or warrant for the purchase thereof.

37

44

### AMENDMENT OF CERTIFICATE OR ARTICLES OF INCORPORATION AND BYLAWS

Regions. The Delaware General Corporation Law generally provides that the approval of a corporation's board of directors and the affirmative vote of a majority of (1) all shares entitled to vote thereon and (2) the shares of each class of stock entitled to vote thereon as a class is required to amend a corporation's certificate of incorporation, unless the certificate specifies a greater voting requirement. The certificate of incorporation states that its provisions regarding authorized capital stock, election, classification, and removal of directors, the approval required for certain business combinations, meetings of stockholders, and amendment of the certificate of incorporation and bylaws may be amended or repealed only by the affirmative vote of the holders of at least 75% of the outstanding shares of Regions common stock.

The certificate of incorporation also provides that the board of directors has the power to adopt, amend, or repeal the bylaws. Any action taken by the stockholders with respect to adopting, amending, or repealing any bylaws may be taken only upon the affirmative vote of the holders of at least 75% of the outstanding shares of Regions common stock.

First Bancshares. The Texas Business Corporation Act generally provides that a Texas corporation's articles of incorporation may be amended by the affirmative vote of at least two-thirds of the shares entitled to vote thereon, unless the articles of incorporation provide for a higher or lower voting requirement. First Bancshares' articles of incorporation include special provisions relating to amendment of the articles of incorporation which allow the affirmative vote of a majority of the shares entitled to vote to amend the articles of incorporation.

The board of directors has the power to adopt, amend, or repeal the bylaws by a majority vote, subject to the right of the stockholders by majority vote to adopt, amend, or repeal the bylaws by majority vote.

### CLASSIFIED BOARD OF DIRECTORS AND ABSENCE OF CUMULATIVE VOTING

Regions. The certificate of incorporation provides that Regions' board of directors is divided into three classes, with each class to be as nearly equal in number as possible. The directors in each class serve three-year terms of office.

The effect of Regions' having a classified board of directors is that only approximately one-third of the members of the board of directors are elected each year; consequently, two annual meetings are effectively required for Regions' stockholders to change a majority of the members of the board of directors.

Pursuant to the certificate of incorporation, each stockholder generally is entitled to one vote for each share of Regions stock held and is not entitled to cumulative voting rights in the election of directors. With cumulative voting, a stockholder has the right to cast a number of votes equal to the total number of such holder's shares multiplied by the number of

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

directors to be elected. The stockholder has the right to cast all of such holder's votes in favor of one candidate or to distribute such holder's votes in any manner among any number of candidates. Directors are elected by a plurality of the total votes cast by all stockholders. With cumulative voting, it may be possible for minority stockholders to obtain representation on the board of directors. Without cumulative voting, the holders of more than 50% of the shares of Regions common stock generally have the ability to elect 100% of the directors. As a result, the holders of the remaining Regions common stock effectively may not be able to elect any person to the

38

45

board of directors. The absence of cumulative voting, therefore, could make it more difficult for a stockholder who acquires less than a majority of the shares of Regions common stock to obtain representation on Regions' board of directors.

First Bancshares. First Bancshares' articles of incorporation do not provide for a classified board of directors. Holders of First Bancshares common stock are not afforded cumulative voting rights.

### REMOVAL OF DIRECTORS

Regions. Under the certificate of incorporation, any director or the entire board of directors may be removed only for cause and only by the affirmative vote of the holders of at least 75% of Regions' voting stock.

First Bancshares. Pursuant to First Bancshares' bylaws, any director or the entire board of directors may be removed, with or without cause, by a vote of the holders of a majority of the shares entitled to vote on the election of directors.

### LIMITATIONS ON DIRECTOR LIABILITY

Regions. The certificate of incorporation provides that a director of Regions will have no personal liability to Regions or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for (1) any breach of the director's duty of loyalty to the corporation or its stockholders, (2) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (3) the payment of certain unlawful dividends and the making of certain unlawful stock purchases or redemptions, or (4) any transaction from which the director derived an improper personal benefit.

Although this provision does not affect the availability of injunctive or other equitable relief as a remedy for a breach of duty by a director, it does limit the remedies available to a stockholder who has a valid claim that a director acted in violation of such director's duties, if the action is among those as to which liability is limited. This provision may reduce the likelihood of stockholder derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duties, even though such action, if successful, might have benefitted Regions and its stockholders. The SEC has taken the position that similar provisions added to other corporations' certificates of incorporation would not protect those corporations' directors from liability for violations of the federal securities laws.

First Bancshares. The Texas Miscellaneous Corporation Laws Act provides for, and First Bancshares' articles of incorporation include, a similar provision, although somewhat more limited, limiting a director's personal liability for money damages arising out of a breach of duty.

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

### INDEMNIFICATION

Regions. The certificate of incorporation provides that Regions will indemnify its officers, directors, employees, and agents to the full extent permitted by the Delaware General Corporation Law. Under Section 145 of the Delaware General Corporation Law as currently in effect, other than in actions brought by or in the right of Regions, such indemnification would apply if it were determined in the specific case that the proposed indemnitee acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of Regions and, with respect to any criminal proceeding, if such person

39

46

had no reasonable cause to believe that the conduct was unlawful. In actions brought by or in the right of Regions, such indemnification probably would be limited to reasonable expenses (including attorneys' fees) and would apply if it were determined in the specific case that the proposed indemnitee acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of Regions, except that no indemnification may be made with respect to any matter as to which such person is adjudged liable to Regions, unless, and only to the extent that, the court determines upon application that, in view of all the circumstances of the case, the proposed indemnitee is fairly and reasonably entitled to indemnification for such expenses as the court deems proper. To the extent that any director, officer, employee, or agent of Regions has been successful on the merits or otherwise in defense of any action, suit, or proceeding, as discussed herein, whether civil, criminal, administrative, or investigative, such person must be indemnified against reasonable expenses incurred by such person in connection therewith.

First Bancshares. The Texas Business Corporation Act and First Bancshares' articles of incorporation provide for indemnification of its directors, officers, employees, and agents in substantially the same manner and with substantially the same effect as in the case of Regions.

### SPECIAL MEETINGS OF STOCKHOLDERS

Regions. Regions' certificate of incorporation and bylaws provide that special meetings of stockholders may be called at any time, but only by the chief executive officer, the secretary, or the board of directors of Regions. Regions stockholders do not have the right to call a special meeting or to require that Regions' board of directors call such a meeting. This provision, combined with other provisions of the certificate of incorporation and the restriction on the removal of directors, would prevent a substantial stockholder from compelling stockholder consideration of any proposal (such as a proposal for a business combination) over the opposition of Regions' board of directors by calling a special meeting of stockholders at which such stockholder could replace the entire board of directors with nominees who were in favor of such proposal.

First Bancshares. Under First Bancshares' bylaws, a special meeting of First Bancshares stockholders may be called by the president, board of directors, or the holders of not less than 10.0% of the shares entitled to vote at the meeting.

### ACTIONS BY STOCKHOLDERS WITHOUT A MEETING

Regions. The certificate of incorporation provides that any action required or permitted to be taken by Regions stockholders must be effected at a duly called meeting of stockholders and may not be effected by any written consent by the stockholders. These provisions would prevent stockholders from

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

taking action, including action on a business combination, except at an annual meeting or special meeting called by the board of directors, chief executive officer, or secretary, even if a majority of the stockholders were in favor of such action.

First Bancshares. Under the Texas Business Corporation Act and First Bancshares' bylaws, any action requiring or permitting stockholder approval may be approved by written consent of stockholders holding all of the shares of First Bancshares common stock outstanding.

40

47

### STOCKHOLDER NOMINATIONS

Regions. Regions' certificate of incorporation and bylaws provide that any nomination by stockholders of individuals for election to the board of directors must be made by delivering written notice of such nomination (the "Nomination Notice") to the Secretary of Regions not less than 14 days nor more than 50 days before any meeting of the stockholders called for the election of directors; provided, however, that if less than 21 days notice of the meeting is given to stockholders, the Nomination Notice must be delivered to the Secretary of Regions not later than the seventh day following the day on which notice of the meeting was mailed to stockholders. The Nomination Notice must set forth certain background information about the persons to be nominated, including information concerning (1) the name, age, business, and, if known, residential address of each nominee, (2) the principal occupation or employment of each such nominee, and (3) the number of shares of Regions capital stock beneficially owned by each such nominee. The board of directors is not required to nominate in the annual proxy statement any person so proposed; however, compliance with this procedure would permit a stockholder to nominate the individual at the stockholders' meeting, and any stockholder may vote such holder's shares in person or by proxy for any individual such holder desires.

First Bancshares. First Bancshares' articles of incorporation and bylaws do not provide for special nominating procedures for election of directors.

### MERGERS, CONSOLIDATIONS, AND SALES OF ASSETS GENERALLY

Regions. The certificate of incorporation generally requires the affirmative vote of the holders of at least 75% of the outstanding voting stock of Regions to effect (1) any merger or consolidation with or into any other corporation, or (2) any sale or lease of any substantial part of the assets of Regions to any party that beneficially owns 5.0% or more of the outstanding shares of Regions voting stock, unless the transaction was approved by Regions' board of directors before the other party became a 5.0% beneficial owner or is approved by 75% or more of the board of directors after the party becomes such a 5.0% beneficial owner. In addition, the Delaware General Corporation Law generally requires the approval of a majority of the outstanding voting stock of Regions to effect (1) any merger or consolidation with or into any other corporation, (2) any sale, lease, or exchange of all or substantially all of Regions property and assets, or (3) the dissolution of Regions. However, pursuant to the Delaware General Corporation Law, Regions may enter into a merger transaction without stockholder approval if (1) Regions is the surviving corporation, (2) the agreement of merger does not amend in any respect Regions' certificate of incorporation, (3) each share of Regions stock outstanding immediately prior to the effective date of the merger is to be an identical outstanding or treasury share of Regions after the effective date of the merger, and (4) either no shares of Regions common stock and no shares, securities, or obligations convertible into such stock are to be issued or delivered under the plan of merger, or the authorized unissued shares or the treasury shares of



## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

Regions common stock to be issued or delivered under the plan of merger plus those initially issuable upon conversion of any other shares, securities, or obligations to be issued or delivered under such plan do not exceed 20% of the shares of Regions common stock outstanding immediately prior to the effective date of the merger.

First Bancshares. The Texas Business Corporation Act generally requires approval of at least two-thirds of the outstanding shares of a corporation's voting stock to approve a merger, consolidation, share exchange, sale of all or substantially all of the corporation's assets, or similar corporate transaction. The corporation's board of directors by resolution may require a different percentage of votes necessary for

41

48

approval. First Bancshares articles of incorporation provide that a majority of the outstanding shares of voting stock may approve such a transaction.

### BUSINESS COMBINATIONS WITH CERTAIN PERSONS

Regions. Section 203 of the Delaware General Corporation Law ("Section 203") places certain restrictions on "business combinations" (as defined in Section 203 to include, generally, mergers, sales and leases of assets, issuances of securities, and similar transactions) by Delaware corporations with an "interested stockholder" (as defined in Section 203 to include, generally, the beneficial owner of 15% or more of the corporation's outstanding voting stock). Section 203 generally applies to Delaware corporations, such as Regions, that have a class of voting stock listed on a national securities exchange, authorized for quotation on an interdealer quotation system of a registered national securities association, or held of record by more than 2,000 stockholders, unless the corporation expressly elects in its certificate of incorporation or bylaws not to be governed by Section 203.

Regions has not specifically elected to avoid the application of Section 203. As a result, Section 203 generally would prohibit a business combination by Regions or a subsidiary with an interested stockholder within three years after the person or entity becomes an interested stockholder, unless (1) prior to the time when the person or entity becomes an interested stockholder, Regions' board of directors approved either the business combination or the transaction pursuant to which such person or entity became an interested stockholder, (2) upon completion of the transaction in which the person or entity became an interested stockholder, the interested stockholder held at least 85% of the outstanding Regions voting stock (excluding shares held by persons who are both officers and directors and shares held by certain employee benefit plans), or (3) once the person or entity becomes an interested stockholder, the business combination is approved by Regions' board of directors and by the holders of at least two-thirds of the outstanding Regions voting stock, excluding shares owned by the interested stockholder.

First Bancshares. Certain corporations in Texas are subject to the Texas Business Combination Law, which imposes similar restrictions on certain business combinations between the corporation and an interested stockholder. First Bancshares is subject to the Texas Business Combination Law.

### DISSENTERS' RIGHTS

Regions. The rights of dissenting stockholders of Regions are governed by the Delaware General Corporation Law. Pursuant thereto, except as described below, any stockholder has the right to dissent from any merger of which Regions could be a constituent corporation. No appraisal rights are available, however,

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

for (1) the shares of any class or series of stock that is either listed on a national securities exchange, quoted on the Nasdaq National Market, or held of record by more than 2,000 stockholders or (2) any shares of stock of the constituent corporation surviving a merger if the merger did not require the approval of the surviving corporation's stockholders, unless, in either case, the holders of such stock are required by an agreement of merger or consolidation to accept for that stock something other than: (a) shares of stock of the corporation surviving or resulting from the merger or consolidation; (b) shares of stock of any other corporation that will be listed at the effective date of the merger on a national securities exchange, quoted on the Nasdaq National Market, or held of record by more than 2,000 stockholders; (c) cash instead of fractional shares of stock described in clause (a) or (b) immediately above; or (d) any combination of the shares of stock and cash instead of fractional shares described in clauses (a) through (c) immediately above. Because Regions common stock is quoted on the Nasdaq National Market and is held

42

49

of record by more than 2,000 stockholders, unless the exception described immediately above applies, holders of Regions common stock do not have dissenters' rights.

First Bancshares. A summary of the pertinent provisions of the Texas Business Corporation Act pertaining to dissenters' rights is set forth under the caption "The Merger--Dissenting Stockholders," and such provisions are included as Appendix C.

### STOCKHOLDERS' RIGHTS TO EXAMINE BOOKS AND RECORDS

Regions. The Delaware General Corporation Law provides that a stockholder may inspect books and records upon written demand under oath stating the purpose of the inspection, if such purpose is reasonably related to such person's interest as a stockholder.

First Bancshares. Pursuant to the Texas Business Corporation Act, upon written notice of a demand to inspect corporate records and demonstration of a proper purpose, a stockholder who has held shares of First Bancshares common stock for at least six months or holds 5% or more of the outstanding shares of First Bancshares common stock is entitled to inspect specified corporate records, including accounting records, minutes of stockholder meetings and certain resolutions adopted at director meetings, and stockholder records.

### DIVIDENDS

Regions. The Delaware General Corporation Law provides that, subject to any restrictions in the corporation's certificate of incorporation, dividends may be declared from the corporation's surplus, or, if there is no surplus, from its net profits for the fiscal year in which the dividend is declared and the preceding fiscal year. Dividends may not be declared, however, if the corporation's capital has been diminished to an amount less than the aggregate amount of all capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. Substantially all of the funds available for the payment of dividends by Regions are derived from its subsidiary depository institutions. There are various statutory limitations on the ability of Regions' subsidiary depository institutions to pay dividends to Regions. See "Supervision and Regulation--Payment of Dividends."

First Bancshares. Pursuant to the Texas Business Corporation Act, a board of directors may from time to time make distributions to its stockholders, subject to restrictions in its articles of incorporation, provided that no distribution may be made if, after giving it effect, (1) the corporation would

## Edgar Filing: REGIONS FINANCIAL CORP - Form S-4

be insolvent, or (2) the distribution exceeds the corporation's surplus. There are no specific restrictions regarding payment of dividends contained in First Bancshares' articles of incorporation. Substantially all of the funds available for the payment of dividends by First Bancshares are derived from its banking subsidiary, First Bank of Texas. There are various statutory limitations on the ability of First Bank of Texas to pay dividends to First Bancshares.

43

50

### COMPARATIVE MARKET PRICES AND DIVIDENDS

Regions common stock is quoted on the Nasdaq National Market under the symbol "RGBK." First Bancshares common stock is not traded in any established market. The following table sets forth, for the indicated periods, the high and low closing sale prices for Regions common stock as reported on the Nasdaq National Market, the high and low prices of First Bancshares common stock based on the transactions known to First Bancshares management, and the cash dividends declared per share of Regions and First Bancshares common stock. For the indicated period there has been only a very limited number of transactions in First Bancshares common stock and all such transactions have involved limited numbers of shares.

	REGIONS			FIRST BAN	
	PRICE RANGE		CASH DIVIDENDS	HIGH	LOW
	HIGH	LOW	DECLARED PER SHARE		
	----	---	-----	----	---
1999					
First Quarter.....	\$ 41.44	\$ 34.63	\$ .25	15.75	14.00
Second Quarter.....	39.13	34.72	.25	14.62	12.50
Third Quarter.....	38.94	29.81	.25	13.25	12.87
Fourth Quarter.....	31.25	23.38	.25	13.37	12.87
2000					
First Quarter .....	24.31	18.44	.27	13.62	13.00
Second Quarter.....	24.50	19.19	.27	13.37	12.00