

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



In the Matter of

THOMAS A. NEELY, JR.

Respondent.

Admin. Pro. File No. 3-15945

**ANSWER OF RESPONDENT THOMAS A. NEELY, JR.
TO ORDER INSTITUTING CEASE-AND-DESIST PROCEEDING**

Pursuant to Rule 220 of the Securities and Exchange Commission's Rules of Practice, Respondent THOMAS A. NEELY, JR. ("Mr. Neely"), by and through counsel, hereby files this Answer in response to the Order Instituting Cease-and-Desist Proceeding ("OIP") filed by the Securities and Exchange Commission ("Commission"). The OIP was served on Mr. Neely on June 30, 2014, and Mr. Neely timely responds to the specific allegations of the OIP as follows:

I.

Mr. Neely believes that this cease-and-desist proceeding is unfounded in that he did not violate any provision of the securities laws cited by the Commission or any other law, engage in any unsafe and unsound practice, breach any fiduciary duty, and/or engage in any misconduct. Mr. Neely properly discharged his duties in accordance with then-existing standards, policies, and procedures. Mr. Neely therefore opposes and objects to this OIP and the efforts by the Commission to obtain the order against Mr. Neely sought in the OIP.

II.

SUMMARY

Mr. Neely submits that the immediately-preceding heading demands no response from Mr.

Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation contained in the immediately-preceding heading and demands strict proof thereof.

Mr. Neely admits that he was employed with Regions Bank (“Regions”), and its predecessor AmSouth Bank, continuously from approximately 1983 until December 31, 2010. Mr. Neely submits that he followed Regions’ credit policy as related to the events of this OIP, and that policy speaks for itself. Mr. Neely specifically denies that he engaged in any intentional misconduct while employed by Regions and demands strict proof thereof. Mr. Neely denies the remaining factual allegations and inferences in this section and demands strict proof thereof.

A. RESPONDENT

1. Mr. Neely admits that he was employed with Regions and its predecessor, AmSouth Bank, continuously from approximately 1983 until December 31, 2010. Mr. Neely admits that he is a former Executive Vice-President and Business Services Credit Executive of Regions, and in that capacity he reported to Michael J. Willoughby (“Mr. Willoughby”) who in turn reported to Bill Wells who was a member of the Executive Committee. Mr. Neely denies that he ever “functionally” or otherwise “controlled SAD” and demands strict proof thereof. Mr. Neely denies the remaining factual allegations and inferences in Paragraph 1 and demands strict proof thereof.

B. OTHER RELEVANT PERSONS AND ENTITY

Mr. Neely submits that the immediately-preceding heading demands no response from Mr. Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation or inference contained in the immediately-preceding heading and demands strict proof thereof.

2. Upon information and belief, Mr. Neely admits the allegations contained in Paragraph 2.

3. Upon information and belief, Mr. Neely admits the allegations contained in Paragraph 3.

4. Upon information and belief, Mr. Neely admits the allegations contained in Paragraph 4.

C. REGIONS' TRACKING OF NON-ACCRUAL LOANS

Mr. Neely submits that the immediately-preceding heading demands no response from Mr. Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation or inference contained in the immediately-preceding heading and demands strict proof thereof.

5. Mr. Neely admits the allegations contained in Paragraph 5. Mr. Neely further submits that GAAP, as referenced in footnote 1, speaks for themselves.

6. Mr. Neely submits that "Regions' policies and procedures" and GAAP speak for themselves. Mr. Neely admits the allegations contained in the second sentence of Paragraph 6. Otherwise, these allegations and inferences are denied as inaccurate and incomplete, and Mr. Neely demands strict proof thereof.

7. Mr. Neely submits that "Regions' policies and procedures" speak for themselves. Mr. Neely admits that Relationship Managers ("RMs") had certain responsibilities, but denies that "RMs had the greatest degree of knowledge" as referenced in Paragraph 7, and asserts that SAD credit review showed significant weaknesses in SAD operations. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

8. Mr. Neely submits that “Regions’ policies and procedures” speak for themselves. Mr. Neely submits that Regions’ policies and procedures were not being followed by SAD. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

9. Mr. Neely submits that “Regions’ policies and procedures” speak for themselves. Mr. Neely submits that the policies and procedures described in Paragraph 9 were not in fact the practice at any time relevant to the OIP. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

10. Mr. Neely submits that the Asset Quality Forecast report (“AQF”) speaks for itself. Mr. Neely further submits that the process described in Paragraph 10 was not in fact the process that was in effect and utilized at any time relevant to the OIP. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof

11. Mr. Neely denies that the AQF “was prepared under” his direction, and demands strict proof thereof. Mr. Neely submits that the Credit Reporting Group that reported to the Chief Credit Officer, Mr. Willoughby, prepared the AQF. Mr. Neely further submits that the AQF was the principal forecasting tool used by Mr. Willoughby, Consumer Credit Executive Barb Godin (“Ms. Godin”), Mr. Neely, and others to track problem loans including problem commercial real estate and other business services loans. Mr. Neely submits that the AQF was not a reliable forecasting tool. Mr. Neely admits that he typically attended a weekly meeting conducted by Mr. Willoughby along with Jeffrey C. Kuehr (“Mr. Kuehr”), but Mr. Neely denies that he “conducted” any such meeting. To the extent there remain any factual allegations and inferences in Paragraph 11, the same are denied, and Mr. Neely demands strict proof thereof.

12. Mr. Neely submits that the “processing list” referenced in Paragraph 12 speaks for itself. Mr. Neely denies that SAD was ever “under [his] control,” and demands strict proof thereof.

Mr. Neely submits that the Credit Reporting Group that reported to the Chief Credit Officer, Mr. Willoughby, prepared the AQF reports and PowerPoint presentations used by the Chief Credit Officer in Executive Committee presentations. Mr. Neely further submits that process outlined in Paragraph 12 was not in fact the process that was in effect and utilized at any time relevant to the OIP, and further denies that he “maintained final authority over the processing list.” Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

D. NEELY’S INTENTIONAL MISCLASSIFICATION OF THE LOANS AND EVASION OF REGIONS’ POLICIES AND PROCEDURES DURING THE QUARTER ENDED MARCH 31, 2009

Mr. Neely submits that the immediately-preceding heading demands no response from Mr. Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation or inference contained in the immediately-preceding heading and demands strict proof thereof.

13. Mr. Neely submits that the AQF speaks for itself, but specifically denies that distribution of the AQF fell within his roles and responsibilities pursuant to Regions’ policies and procedures. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

14. Mr. Neely denies that the individual referenced as “a subordinate” in the first sentence of Paragraph 14 was in fact subordinate to Mr. Neely and demands strict proof thereof. Mr. Neely further denies that the numerical approximations referenced in Paragraph 14 correlate and/or represent an equivalent and appropriate comparison, and submits that the AQF speaks for itself. Otherwise, these allegations and inferences are denied and Mr. Neely demands strict proof thereof.

15. Mr. Neely submits that the email, AQF, and “Regions’ policies and procedures” referenced in Paragraph 15 speak for themselves. Mr. Neely specifically denies that the loan referenced in Paragraph 15 was improperly classified and demands strict proof thereof. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof

16. Mr. Neely submits that the “Regions’ policies and procedures” and GAAP referenced in Paragraph 16 speak for themselves. Mr. Neely denies that the individuals referenced as “subordinates” in the first sentence of Paragraph 16 were in fact in his reporting chain and demands strict proof thereof. Mr. Neely is without knowledge to admit or deny the allegations of the fifth and sixth sentences of this paragraph, and accordingly, denies the allegations and inferences contained in Paragraph 16 and demands strict proof thereof. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

17. Mr. Neely admits that he typically attended monthly updates with Mr. Willoughby, Ms. Godin, and Mr. Wells, but is without information to admit or deny that he attended the meeting referenced in Paragraph 17 and accordingly, denies the allegations and inferences contained in Paragraph 17 and demands strict proof thereof. Furthermore, Mr. Neely denies that he “knowingly provided understated NPL data” at any such meeting, and demands strict proof thereof. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

18. Mr. Neely submits that the “Regions’ policies and procedures” referenced in Paragraph 18 and the SFAS No. 114 referenced in Footnote 2 speak for themselves. Mr. Neely is without knowledge to admit or deny what would have “prompted a determination” as set out in Paragraph 18, and accordingly, denies the allegations and inferences contained in Paragraph 18 and demands strict proof thereof. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

19. Mr. Neely submits that the “Regions’ policies and procedures” and GAAP referenced in Paragraph 19 speak for themselves. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

E. INTENTIONAL MISCLASSIFICATION OF LOANS HELD FOR SALE

Mr. Neely submits that the immediately-preceding heading demands no response from Mr. Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation or inference contained in the immediately-preceding heading and demands strict proof thereof.

20. Mr. Neely denies the characterization of events in Paragraph 20, and submits that Regions was trying to price the sale and that no intent to sale was crossed. Mr. Neely further submits that he followed Regions’ applicable policies and procedures in place at the time, although he did not draft said policies and procedures. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

21. Mr. Neely submits that to the extent there is a document related to the events referenced in Paragraph 21, the document speaks for itself. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

22. Mr. Neely submits that the document referenced in Paragraph 22 speaks for itself. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

23. Mr. Neely submits that the documents referenced in Paragraph 23 and Footnote 3 speak for themselves. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

24. Mr. Neely submits that to the extent there is a document related to the events referenced in Paragraph 24, the document speaks for itself. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

25. Mr. Neely submits that the “Regions’ policies and procedures” and GAAP referenced in Paragraph 25 speak for themselves. Mr. Neely specifically denies that the decision to sale the loan had been made as alleged in Paragraph 25. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

E.¹ IMPACT OF NEELY’S INTENTIONAL MISCONDUCT ON REGIONS’ FINANCIAL STATEMENTS

Mr. Neely submits that the immediately-preceding heading demands no response from Mr. Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation or inference contained in the immediately-preceding heading and demands strict proof thereof.

26. Mr. Neely submits that GAAP speaks for itself, and further submits that Held For Sale decisions were audited every quarter. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

27. Mr. Neely submits that “Regions’ policies and procedures” speak for themselves, and further submits that he followed Regions’ applicable policies and procedures in place at the time, although he did not draft said policies and procedures. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

¹ The OIP inadvertently contains two sections “E.” In an effort to clarify and clearly communicate in his Answer, Mr. Neely has indicated the original section “E” as “E” and the following section as “E¹.”

28. Mr. Neely denies the allegations and inferences contained in Paragraph 28, and demands strict proof thereof.

29. Mr. Neely submits that the documents and GAAP referenced in Paragraph 29 speak for themselves. Mr. Neely is without information as to how the dollar amounts referenced in Paragraph 29 were calculated; as such, Mr. Neely is without information to admit or deny the allegations referenced therein and, therefore, denies the same. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

30. Mr. Neely submits that “Regions’ policies and procedures” and GAAP speak for themselves. Mr. Neely denies the allegations and inferences contained in Paragraph 30 and demands strict proof thereof.

31. Mr. Neely submits that the documents referenced in Paragraph 31 speak for themselves. Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

32. Mr. Neely submits that the allegations and inferences contained in Paragraph 32 lack sufficient specificity and information for Mr. Neely to either admit or deny the allegations and inferences referenced therein. Accordingly, Mr. Neely denies the allegations and inferences contained in Paragraph 32 and demands strict proof thereof.

33. Mr. Neely submits that the documents referenced in Paragraph 33 speak for themselves. Mr. Neely specifically denies that he “knowingly made false statements and/or misleading omissions in the sub-certification.” Otherwise, these allegations and inferences are denied, and Mr. Neely demands strict proof thereof.

F. CONDUCT FOLLOWING THE QUARTER ENDING MARCH 31, 2009

Mr. Neely submits that the immediately-preceding heading demands no response from Mr. Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation or inference contained in the immediately-preceding heading and demands strict proof thereof.

34. Mr. Neely denies the allegations and inferences in Paragraph 34 and demands strict proof thereof.

G. VIOLATIONS

Mr. Neely submits that the immediately-preceding heading demands no response from Mr. Neely. However, and out of an abundance of caution, to the extent a response from Mr. Neely is due, Mr. Neely denies any allegation or inference contained in the immediately-preceding heading and demands strict proof thereof.

35. Mr. Neely denies the allegations and inferences contained in Paragraph 35 and demands strict proof thereof.

36. Mr. Neely denies the allegations and inferences contained in Paragraph 36 and demands strict proof thereof.

37. Mr. Neely denies the allegations and inferences contained in Paragraph 37 and demands strict proof thereof.

38. Mr. Neely denies the allegations and inferences contained in Paragraph 38 and demands strict proof thereof.

39. Mr. Neely denies the allegations and inferences contained in Paragraph 39 and demands strict proof thereof.

40. Mr. Neely denies the allegations and inferences contained in Paragraph 40 and demands strict proof thereof.

41. Mr. Neely denies the allegations and inferences contained in Paragraph 41 and demands strict proof thereof.

42. Mr. Neely denies the allegations and inferences contained in Paragraph 42 and demands strict proof thereof.

43. Mr. Neely denies the allegations and inferences contained in Paragraph 43 and demands strict proof thereof.

III.

Mr. Neely asserts that any cease-and-desist proceeding is inappropriate because he did not violate any provision of the securities laws cited by the Commission or any other law. Mr. Neely denies that the allegations set forth in Section II are true, and further denies that he should be ordered to cease and desist or pay a civil penalty and/or be prohibited from acting as an officer or director as set out in Section III(B).

IV.

Mr. Neely submits that no response to Section IV is necessary.

ADDITIONAL AND AFFIRMATIVE DEFENSES

FIRST DEFENSE

The OIP fails to state a claim upon which relief can be granted, and Mr. Neely is entitled to a dismissal as a matter of law. Mr. Neely asserts that this cease-and-desist proceeding is unfounded in that he did not violate any provision of the securities laws cited by the Commission or any other law, engage in any unsafe and unsound practice, breach any fiduciary duty, and/or engage in any misconduct.

SECOND DEFENSE

The relief requested in the OIP, if granted, would not be in the public interest.

THIRD DEFENSE

Mr. Neely pleads the applicable statute of limitations with respect to each claim contained in the OIP, in whole and in part, and further asserts that each claim is barred by the doctrines of ratification, consent, acquiescence, license, release, accord and satisfaction, authorization, assumption of the risk, waiver, estoppel, and laches.

FOURTH DEFENSE

Mr. Neely is not guilty of any of the allegations in the OIP.

FIFTH DEFENSE

Mr. Neely denies the material allegations of the OIP and demands strict proof thereof.

SIXTH DEFENSE

All of Mr. Neely's actions were justified and cannot be the basis for liability as outlined in the OIP.

SEVENTH DEFENSE

Mr. Neely asserts that all matters contained herein that are not expressly admitted or denied are hereby denied.

EIGHTH DEFENSE

The relief sought in the OIP violates Mr. Neely's rights to protection from excessive fines as provided by the United States Constitution.

NINTH DEFENSE

Any and all relief sought in this OIP was legally or proximately caused by the acts or omissions of other individuals, entities, or forces over which Mr. Neely exerted no control, had no

reporting authority, and for which he had no responsibility. Mr. Neely cannot and should not be found liable for actions taken and/or omissions by third-parties and forces outside of his scope of authority and control, for adhering to Regions' policies and procedures, for complying with Regions' reporting chains, and/or for following industry standards.

TENTH DEFENSE

Mr. Neely acted in good faith in that he followed Regions' applicable policies and procedures in place at the time, although he did not draft said policies and procedures, as well as existing industry standards, and took affirmative steps to follow said policies, procedures, and industry standards in the execution of his duties with knowledge and authority of his reporting chain of command.

RESERVATION OF DEFENSES

Mr. Neely hereby expressly reserves the right to present additional and/or affirmative defenses as this matter proceeds, particularly with respect to any defenses presently unknown to Mr. Neely.

PRAYER FOR RELIEF

WHEREFORE, Thomas A. Neely, Jr. respectfully requests that:

1. this proceeding be dismissed with prejudice in its entirety;
2. the relief requested in the OIP be denied; and,
3. Mr. Neely recover his costs incurred in connection with this proceeding along with all forms of additional relief the Administrative Law Judge may deem proper and just.

Respectfully submitted,

/s/ Augusta S. Dowd

Augusta S. Dowd (ASB-5274-D58A)

J. Mark White (ASB-5029-H66J)

William M. Bowen, Jr. (ASB-1285-E66W)
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