

First Horizon Bank sues former executive over alleged employee 'raid'

By Dillon Lowe



First Horizon Bank has filed suit against its former Louisiana and Texas regional president, accusing him of violating nonsolicitation agreements by helping to recruit dozens of First Horizon employees to a new competitor led by former IberiaBank executives.

First Horizon filed the complaint in Baton Rouge federal court on Feb. 20 against Karl Hoefer, the aforementioned executive, and DMMS Holdings, a newly formed entity that is in the process of acquiring M C Bank & Trust.

At the heart of the dispute is whether Hoefer, who resigned from First Horizon on Dec. 30, breached incentive agreements that barred him from recruiting First Horizon employees for two years after certain stock, retention and performance awards vested.

First Horizon alleges Hoefer did exactly that—and did so as part of a coordinated effort to “raid” First Horizon employees.

But just days after First Horizon filed its complaint, the defendants asked a federal judge to throw the case out, filing a motion to dismiss on Feb. 26. That motion argues First Horizon’s complaint “fails to state any claims” and should be dismissed with prejudice.

THE BACKGROUND

In 2020, Tennessee-based First Horizon Bank merged with Lafayette-based IberiaBank, which was then the largest bank based in Louisiana. Several former Iberia executives, including former CEO Daryl Byrd, later left First Horizon and formed DMMS Holdings.

DMMS is now acquiring Morgan City-based M C Bank & Trust, with plans to compete in south Louisiana and Texas—markets where First Horizon has a significant presence.

While employed at First Horizon, Hoefer received more than \$1 million in restricted stock units, restricted cash units and long-term incentive awards, according to the complaint.

Each award included a two-year nonsolicitation restriction after vesting, prohibiting Hoefer from directly or indirectly soliciting First Horizon employees or customers to leave. Some of those restriction periods extend into 2026 and 2027.

On Jan. 9, First Horizon sent Hoefer a letter reminding him of those obligations and warning that violations could trigger a clawback of roughly \$1.09 million.

THE ALLEGATIONS

First Horizon alleges DMMS has targeted former Iberia bankers who remained with First Horizon after the merger, effectively attempting to “get the band back together.”

“After his resignation, Hoefer brazenly recruited First Horizon employees across Louisiana and Texas at every level of First Horizon’s hierarchy,” the complaint reads.

In First Horizon’s telling, a DMMS principal—sometimes Byrd—would initiate contact with a First Horizon employee and direct that employee to speak with Hoefer. From there, Hoefer would take over, pitching compensation packages and attempting to secure commitments.

The complaint describes offers that included substantial raises, signing bonuses and equity positions.

One of First Horizon's Baton Rouge employees was allegedly offered a \$30,000 pay raise, a \$40,000 signing bonus, a \$75,000 bonus to be paid when DMMS closes on the M C Bank acquisition, \$75,000 annual bonuses, stock incentives and \$6,000 in country club dues. Another employee was allegedly offered a \$750,000 signing bonus and a \$1 million equity stake.

According to the complaint, DMMS had recruited away at least 27 First Horizon employees as of Feb. 20, all of whom were former Iberia employees.

First Horizon says it has paid more than \$5 million in retention bonuses to its employees in response to the recruiting effort.

The plaintiff brings five counts: bad faith breach of nonsolicitation agreement, violation of Louisiana Unfair Trade Practices Act, inducement of breach of contract (against DMMS), procurement of breach of contract (against DMMS) and civil conspiracy.

First Horizon is seeking a preliminary injunction barring further recruitment during the restriction periods as well as compensatory damages; exemplary, treble, punitive or other monetary damages; and an award of all costs and attorneys' fees.

In a statement provided to *Daily Report*, Byrd says DMMS plans to fight the lawsuit and move forward with its acquisition of M C Bank. He adds that his company's efforts to raise capital for the acquisition have received an "overwhelmingly positive" response from investors.

"It is noteworthy that this lawsuit was filed in the midst of our successful capital raise," Byrd's statement reads. "We unequivocally deny these unfounded allegations and will defend ourselves fully against this lawsuit."

A representative for First Horizon declined to comment, saying "the lawsuit is straightforward and speaks for itself."

Editor's Note: This article has been updated since its original publication to include a statement from Daryl Byrd.

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