



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-34-87 (2-19-87)

REGULATORS APPROVE ASSISTANCE PROGRAM
FOR SUBSIDIARY BANKS OF BANCTEXAS GROUP, INC.

A financial assistance program designed to infuse capital into subsidiary banks of BancTEXAS Group, Inc., Dallas, Texas, has gained preliminary approval from the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency.

The key elements of the rehabilitation plan are a one-time, \$150 million contribution from the FDIC, which will be used to enhance the subsidiary banks' reserves for losses and capital, and an infusion of additional capital from a new pool of private investors who are expected to assume control of BancTEXAS, Inc. The FDIC will have no further obligation, nor will it purchase any of the assets held by the holding company's banking units.

The novel financial assistance program has been agreed to in principle by the two federal bank regulators, who determined it is less costly to the FDIC than the costs which would be incurred by the failure of subsidiary banks in the \$1.3 billion holding company. One important feature of the program is the FDIC will assume none of the banks' problem assets. Instead, the holding company's new investors and the subsidiary banks' managers will be expected to implement their own strategies for dealing with these assets and maintaining the bank units in sound condition.

As part of the assistance program, the Hallwood Group, Inc., a New York-based merchant banking concern specializing in the restructuring of troubled publicly-held companies, has agreed to organize a rights offering

- more -

which will raise \$50 million of new common equity capital for BancTEXAS. This offering, which will be made first to existing shareholders, will represent in excess of 96 percent of the ownership of BancTEXAS. The FDIC will receive warrants exercisable over 20 years to purchase the equivalent of 10 percent of the common equity of BancTEXAS at the date of consummation of the transaction.

To facilitate the assistance program, senior creditors of the holding company have agreed that approximately \$25 million of BancTEXAS obligations may be satisfied by the payment by BancTEXAS of approximately \$8.5 million in cash. These creditors will be issued common stock of the restructured company having a book value of \$2 million, and they will obtain title to charged-off and subquality assets having a face value of approximately \$1 million. The senior creditors also will be issued warrants to purchase up to five percent of the common stock of the restructured entity.

Both the restructured BancTEXAS and its subsidiary banks will be subject to dividend restrictions.

The two federal bank regulatory agencies agreed in principle to the assistance program after the FDIC determined that the subsidiary banks of BancTEXAS were in danger of failing. Section 13(c) of the Federal Deposit Insurance Act permits the FDIC to extend financial assistance to an open bank to prevent its closing when such assistance is determined to be less costly to the FDIC than a deposit payoff.

The assistance program is subject to approval by shareholders of BancTEXAS, concessions by the remaining creditors and approval of satisfactory documentation by the two federal regulators.