



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-188-86 (11-26-86)

FDIC GRANTS ASSISTANCE TO PREVENT FAILURE OF BANK OF COMMERCE, MORRISTOWN, TENNESSEE

The Board of Directors of the Federal Deposit Insurance Corporation today announced it has granted financial assistance under Section 13(c)(1) of the FDI Act to prevent the failure of the Bank of Commerce, Morristown, Tennessee. The transaction is effective as of November 26, 1986. The FDIC acted following notification by the Tennessee Commissioner of Financial Institutions that the Bank of Commerce was in danger of failing.

As a result of this action, the Bank of Commerce will be strengthened and recapitalized, and uninterrupted service will be afforded all deposit and loan customers of the bank. The bank operates four offices in Morristown, Tennessee, and has assets of \$67.3 million and deposits of \$65.6 million.

The FDIC's financial assistance consists of the purchase of assets from Bank of Commerce not to exceed \$13 million. The FDIC expects to recover a portion of its outlay through the liquidation of assets purchased from the Bank of Commerce.

The FDIC usually acts following the failure of a commercial bank either to arrange for its deposits to be assumed by a healthy bank or, if that is not possible, to pay off insured depositors and liquidate the failed bank's assets. However, when determined to be less costly than either a deposit assumption or a deposit payoff, Section 13(c)(1) of the FDI Act allows the FDIC to provide assistance to an open bank. The FDIC's Board, as a matter of policy, generally will approve a proposal requesting assistance to prevent the closing of an insured bank only where it determines that:

- 1) The bank's proposed capitalization, assistance and management plan reasonably assure the future viability of the bank.

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- 2) The proposal represents the least costly alternative available to the FDIC, taking into account the maximum "premium" the FDIC could expect to receive in a closed bank auction.
- 3) New capital has been provided by the proponents of the transaction in sufficient amount to support FDIC financial assistance.
- 4) Recoveries from non-book sources such as charged-off assets or claims against officers, directors and bonding companies accrue first to the FDIC to the extent of any losses it will sustain in connection with the proposal.
- 5) The financial impact on executive management, directors, shareholders and subordinated debt holders is comparable to what would have occurred if the bank had actually closed.

The FDIC Board voted to approve the Bank of Commerce assistance transaction based on the determination that it was in compliance with the mandatory cost test as well as these policy criteria.

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