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FDIC REPORTS ON RECEIVERSHIP OF PENN SQUARE BANK, N.A., OKLAHOMA CITY, OKLAHOMA

On December 19, 1985, the Federal Deposit Insurance Corporation paid a dividend of 20 percent to holders of proven claims against the failed Penn Square Bank, N.A., Oklahoma City, Oklahoma. The payment, amounting to about \$91.5 million, is the third dividend approved since the bank failed in 1982, bringing the total dividends paid to date to 55 percent. Following is a report of the status of the receivership as of December 20, 1985.

Penn Square Bank, N.A., Oklahoma City, Oklahoma, was closed on July 5, 1982, by the Comptroller of the Currency and the FDIC was named receiver. Penn Square depositors with balances in excess of the insurance limit of \$100,000 had their insured deposits transferred to the Deposit Insurance National Bank (DINB) while the excess became a claim against the Penn Square receivership. Each such depositor was issued a "Receiver's Certificate" in an amount equal to the uninsured portion of the deposit. The excess depositors' claims have general creditor status, which means they share with the FDIC and other general creditors in proceeds from liquidation of the bank's assets.

On August 18, 1983, the DINB was closed when the FDIC executed an agreement with Charter National Bank, N.A., a newly-chartered bank, to purchase the remaining \$458,000 in insured deposits and operate from Penn Square's former motor bank.

The receivership, as of December 20, 1985, had issued 2,620 receiver's certificates totaling \$459.1 million. Liquidation dividends totaling 55 percent, or \$252.5 million, have been paid to holders of the certificates in

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three installments: 20 percent on March 11, 1983; 15 percent on August 16, 1984, and 20 percent on December 19, 1985. Remaining assets to be liquidated, as of December 20, 1985, amounted to approximately \$227.3 million, exclusive of \$34.8 million invested in Treasury bills.

The remaining amount due on proven claims totals about \$206.6 million. In addition to proven claims there were \$744.5 million of claims that were rejected by the receiver; however, \$230 million of these claims have now been cancelled as part of recent settlements. Litigation against the FDIC as receiver is pending on \$44.6 million of the rejected claims.

Legal disputes that had to be resolved before the first and second dividend payments could be made were outlined in a status report dated July 25, 1984, which was issued as FDIC Press Release 88-84.

The FDIC continues to make progress in resolving pending litigation against the receivership. Since the last status report on June 7, 1985, lawsuits totaling \$194.7 million have been settled or dismissed. Pending litigation totaling \$64.0 million, including the \$44.6 million of rejected claims mentioned above, remains unresolved because the parties involved are unable to agree on a settlement amount. The FDIC has in the past refused, and in the future will continue to refuse, to enter into excessive settlements simply to resolve litigation. The FDIC is confident that this approach will ultimately provide for a greater return to all receivership certificate holders.

As previously reported, the FDIC has determined that depositors with accounts in excess of the insurance limit, and other uninsured creditors, may realize 65 percent recovery of their uninsured deposits. The estimate is subject to revision depending on future collections and the outcome of pending legal actions.

When the FDIC was appointed receiver for Penn Square, it acquired for liquidation assets totaling \$511.13 million. In addition, the FDIC acquired \$8.2 million in assets that had been charged off by the bank prior to its closing. A detailed breakdown of the liquidation portfolio was provided in the July 25, 1984, status report.

As of December 20, 1985, the FDIC had collected \$660.7 million in principal and interest on loans, securities and other assets. Major outlays include: \$301.8 million paid to the holders of loan participations sold by Penn Square; \$5.7 million to repay secured advances from the Federal Reserve to Penn Square; \$16.9 million paid to owners of pledged deposits, and approximately \$252.5 million paid to uninsured depositors and other creditors holding receiver's certificates for proven claims. Excess collections invested in Treasury bills totalled about \$35.0 million.

Receivership Income and Expenses

Expenses of the liquidation from inception of the receivership to October 30, 1985, totalled \$30.0 million. These expenses represent 4.54 percent of total collections. The ratio of expenses to collections will increase significantly as the liquidation progresses and the quality of the remaining assets declines. Expenses of the receivership were as follows:

Salaries and Employee Benefits	\$15,529,122
Outside Services	1,913,064
Travel	916,958
Building and Lease Costs	1,736,281
Equipment	688,016
Supplies, Computer and Court Costs	1,004,242
Interest Expense	319,671
Owned Asset Operating Expenses	133,600
Legal	7,748,158

Interest income of the liquidation from the inception of the receivership to October 30, 1985, totalled approximately \$97.0 million as follows:

Loans	\$43.8 million
Securities	2.1 million
Mortgages	8.1 million
Treasury Bill Investments	33.6 million
Other Income	9.4 million

The receivership staff includes liquidators, in-house attorneys, loan work-out specialists, and bookkeeping and clerical employees. In addition, oil and gas experts have been retained. The receivership staff totals 82, including three permanent FDIC employees and 79 former Penn Square and other locally-hired employees. Present staffing represents a decrease of 23 employees since September 30, 1984, and a decrease of 75 employees since December 31, 1983. Prior to the closing, Penn Square had 383 employees.

Litigation By and Against the Receivership Estate

The FDIC, in its capacity as receiver, is involved in extensive litigation, a significant amount of which had been filed prior to the bank's closing. At the present time, there are pending about 1,200 different legal actions in which the FDIC is a party.

Bond Claims and Directors' Liability Matters

To date, the FDIC has collected \$9.4 million from claims with regard to former officers and directors of Penn Square Bank. Recovery efforts are continuing on unsettled claims.

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