



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-82-85 (6-7-85)

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

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.

Depositors with amounts on deposit in Penn Square in excess of the insurance limit of \$100,000 had their deposits up to the insurance limit 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 in liquidation dividends with the FDIC and other general creditors from the recoveries realized from the receiver's 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 April 30, 1985, had issued 2,616 receiver's certificates totaling \$438.0 million. Liquidation dividends totaling 35 percent, or \$153.2 million, have been paid to holders of the certificates in two installments: 20 percent on March 11, 1983; and 15 percent on August 16, 1984. Remaining assets to be liquidated, as of April 30, 1985, amount to approximately \$235.4 million, exclusive of \$123.5 million invested in Treasury bills.

- more -

The remaining amount due on proven claims totals about \$284.9 million. In addition to proven claims there are \$744.5 million of claims that have been rejected by the receiver. Litigation against the FDIC as receiver is pending on \$258.7 million of the rejected claims.

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

Prior to the payment of the second liquidation dividend, a hearing in the Federal Court was held at the request of the FDIC. All parties who had objected to the payment of the first dividend, as well as the Association of Uninsured Depositors Committee, were invited to attend and comment upon the payment of the proposed dividend and the increase in the reserve to \$95 million to pay any claims later accepted. No comments or objections were received to the FDIC plan.

The FDIC continues to make progress in resolving pending litigation against the receivership. Since the last status report on October 29, 1984, lawsuits totaling \$17 million have been settled. Pending litigation totaling \$258.7 million remains unresolved because the parties involved are unable to agree on a settlement amount. The FDIC has in the past refused and will continue in the future to refuse, to enter into excessive litigation settlements simply to resolve litigation. While this approach does contribute to a delay in the payment of liquidating dividends, the FDIC is confident that this approach will ultimately provide for a significantly 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.

The FDIC anticipates that a recommendation to pay a third liquidating dividend of at least five percent will be forthcoming by October 1985.

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 which 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 April 30, 1985, the FDIC had collected \$638.6 million in principal and interest on loans, securities and other assets. Major outlays include: \$297.9 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 \$153.2 million paid to uninsured depositors and other creditors holding receiver's certificates for proven claims. Excess collections invested in Treasury bills totalled about \$123.5 million.

Receivership Income and Expenses

Expenses of the liquidation from inception of the receivership to April 30, 1985, totalled \$26.1 million. These expenses represent 4.09 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	\$13,457,771
Outside Services	1,713,776
Travel	891,388
Building and Lease Costs	1,733,416
Equipment	688,002
Supplies, Computer and Court Costs	980,259
Interest Expense	319,671
Owned Asset Operating Expenses	112,936
Legal	6,239,581

Interest income of the liquidation from the inception of the receivership to April 30, 1985, totalled approximately \$87.0 million as follows:

Loans	\$41.5 million
Securities	2.1 million
Mortgages	7.7 million
Treasury Bill Investments	26.3 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 87, including three permanent FDIC employees and 84 former Penn Square and other locally-hired employees. Present staffing represents a decrease of 18 employees since September 30, 1984, and a decrease of 70 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

FDIC personnel continue to examine Penn Square's records with a view toward developing and presenting substantial claims under Penn Square's bankers' blanket bond. To date, the FDIC has collected \$9.4 million from claims against former officers and directors of Penn Square Bank. Recovery efforts are continuing on unsettled claims.

#