FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC ESTIMATES 65 PERCENT RECOVERY FOR HOLDERS OF PENN SQUARE BANK, N.A., RECEIVER'S CERTIFICATES

The Federal Deposit Insurance Corporation has determined that depositors with accounts in Penn Square Bank that exceeded the $100,000 insurance limit may realize 65 percent recovery of their uninsured deposits. This is a tentative estimate and is subject to revision depending on future collections on Penn Square assets and the outcome of a large number of legal actions.

Penn Square Bank was closed on July 5, 1982, by the Comptroller of the Currency. The FDIC was named receiver to liquidate the failed bank's assets and settle its affairs. In addition, the FDIC established a Deposit Insurance National Bank (DINB) to pay the claims of insured depositors.

The extent of recovery on the uninsured portions of Penn Square deposits is expected to be less than in most other bank liquidations. The FDIC bases its estimate on the exceptionally poor quality of Penn Square's assets, the extent of litigation stemming from the bank's failure, and the generally depressed state of the energy development industry.

Status of the Penn Square Receivership

Upon appointment as receiver, the FDIC acquired for liquidation all the assets of Penn Square totaling $511.3 million. In addition, the FDIC acquired $8.2 million in assets which had been charged off by the bank prior to its closing. The liquidation portfolio included the following categories of assets at book value:

Cash and Due From Banks	$ 27,695,235
Securities	48,424,725
Installment Loans	22,382,169
Commercial Loans	334,030,402
Mortgage Loans	48,885,019
Owned Real Estate	5,818,718
Other Assets	8,446,206
Overdrafts	15,617,418

In addition, Penn Square had outstanding loan participations sold to other banks totaling $2.1 billion as of the date of the closing.

As of May 1, 1983, the FDIC had collected $412.2 million in principal and interest on loans, securities, and other assets. Out of the total collected, $210.7 million was paid to the holders of loan participations sold by Penn

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Square, $5.7 million repaid secured advances from the Federal Reserve to Penn Square, $16.9 million was paid to owners of pledged deposits and approximately $88.2 million was paid to uninsured depositors and other creditors holding receiver's certificates for proven claims. As of May 1, 1983, the FDIC had invested excess collections in treasury bills totaling approximately $80 million.

Receivership Income and Expenses

Expenses of the liquidation from inception of the receivership to May 1, 1983, totaled approximately $10.1 million, or 2.45 percent of 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	$5,117,362	Equipment	$ 276,133
Employee Benefits	319,319	Supplies, Computer & Court Costs	434,894
Outside Services	745,133	Interest Expense	310,679
Travel	450,454	Owned Asset Operating Expense	7,308
Building and Lease Costs	667,906	Legal	1,796,934

Interest income of the liquidation from inception of the receivership to May 1, 1983 totaled approximately $32 million, as follows:

Loans	$ 19.7 million
Securities	2.0 million
Mortgages	4.3 million
Treasury Bill Investments	6.0 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 266, including 64 permanent FDIC employees and 202 former Penn Square and other locally-hired employees. An additional 1 FDIC employee and 4 former Penn Square and other locally-hired employees are employed by the DINB. Prior to the closing, Penn Square had 383 employees.

Litigation By and Against the Receivership Estate

The FDIC, in its capacity as receiver of Penn Square, 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 approximately 500 different legal actions in which the FDIC is a party. Roughly 20 percent of these actions are bankruptcy proceedings in which FDIC is involved as a creditor. Many of the actions are suits to collect on loans and other assets of Penn Square.

Several major claims have been made in actions brought against the FDIC as receiver of Penn Square and other parties arising out of the bank's energy-related lending activities. These suits raise legal issues regarding letters of credit, the rights of loan participants, and general bank receivership principles. Some litigants have raised allegations of fraud on the part of certain oil drilling companies and Penn Square officers.

Bond Claims and Directors Liability Matters

FDIC personnel have been conducting a thorough examination of Penn Square's records since July 5, 1982, with a view toward developing and presenting substantial claims under Penn Square's bankers blanket bond. The FDIC is also investigating potential claims against former officers and directors of the bank and the bank's accounting firm.

Criminal Irregularity

The FDIC is conducting, in conjunction with the FBI, a thorough investigation of the events and activities which led to Penn Square's failure. At the present time, the FDIC has discovered 245 matters which may constitute criminal offenses under federal law. Evidence in these matters has been referred to the Justice Department for further investigation and possible prosecution.

Receiver's Certificates

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 DINB, while the excess became a claim against the Penn Square receivership. Each such depositor was being 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 liquidating dividends with the FDIC and other general creditors from the recoveries realized from the receiver's liquidation of the bank's assets.

The receivership as of March 10, 1983, had issued 2,439 receiver's certificates in the total amount of $438.2 million .

On March 11, 1983, the FDIC as receiver obtained court approval to begin payment of the first liquidation dividend which amounted to approximately $88.2 million or nearly 20 percent of proven claims.

The remaining amount due on proven claims totals approximately $349.9 million. As noted previously, the receiver holds approximately $80 million in treasury bills or nearly 23 percent of the outstanding proven claims. There also exists, in addition to the $349.9 million of proven claims, approximately $670 million in claims rejected by the receiver. The FDIC has agreed to set aside approximately $70 million in reserve for those claims pending the outcome of related litigation.

Remaining assets to be liquidated as of May 1, 1983, amount to approximately $320.2 million, exclusive of the $80 million invested in treasury bills.

Status of the DINB's Operations

The DINB was established by the FDIC in order to make the insured deposits immediately available.

On July 5, 1982, the DINB assumed 24,538 insured deposit accounts totaling $207.5 million. As of May 1, 1983, the DINB had 643 insured deposit accounts totaling $493,200 which consisted of $423,600 in demand deposits, $22,900 in time deposits and $46,700 in dormant accounts. The FDI Act authorizes the operation of a DINB for up to two years. Before the end of that period, the FDIC may transfer the bank's business to another insured bank in the same community or it may conclude the bank's business and cease its operations.

As of May 1, 1983, the FDIC had executed an agreement with a newly chartered bank, which will be located in Penn Square's former motor bank, to purchase the remaining business of the DINB. It is anticipated that this agreement will be implemented later this month.

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