



NEWS RELEASE

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FDIC APPROVES ASSISTANCE PROGRAM FOR GUNNISON BANK AND TRUST COMPANY, GUNNISON, COLORADO

The Board of Directors of the Federal Deposit Insurance Corporation today announced it has approved in principle granting assistance under Section 13(c) of the Federal Deposit Insurance Act (FDIA) to prevent the failure and closing of Gunnison Bank and Trust Company, Gunnison, Colorado.

The FDIC acted following notification by the State of Colorado that the Gunnison Bank and Trust Company, with \$22.3 million in assets and \$21.4 million in deposits, was in danger of failing. The FDIC received open and closed bank proposals in a competitive bidding process. The approved plan is expected to be less costly to the Bank Insurance Fund (BIF) than if the bank had been closed.

Under the assistance plan, Lindoe, Inc., an Ordway, Colorado, holding company, will acquire the bank and operate it as a subsidiary. As a result of this transaction, all deposit and loan customers of Gunnison Bank and Trust Company will be afforded uninterrupted service. Lindoe, Inc., will provide \$850,000 to restore the bank's capital to an acceptable level.

The financial assistance package provides that the FDIC will reimburse Gunnison Bank and Trust Company at the end of three years for an amount not to exceed \$2,446,000 to cover certain litigation costs and losses relating to: loans; other real estate owned; and potential other real estate owned. The FDIC's total cost is limited \$2,446,000.

The FDIC will recover a portion of its financial assistance through a sharing of recoveries from charged-off assets; a sharing on any net gain from

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the sale of other real estate owned; and any rental income received from current or future other real estate owned covered by the assistance agreement. All assets will remain with the assisted institution.

If Lindoe, Inc., sells its interest in Gunnison Bank and Trust Company within five years of the date of the assistance agreement, the FDIC will receive 50 percent of any gain on the sale. The responsibility for pursuing collections and claims will remain with the bank.

The FDIC may provide assistance to banks in danger of failing under Section 13(c) of the FDIA. The criteria that must be met when applying for assistance are contained in an FDIC Statement of Policy. Key elements include: (1) the cost to the BIF clearly must be less than other available alternatives; (2) the proposal must provide for an infusion of sufficient outside tangible capital; (3) the financial effect on shareholders and creditors of the failing institution must approximate the effect that would have occurred had the bank been closed; and (4) the proposal must be considered within a competitive bidding process.

The assistance agreement will be finalized with Lindoe, Inc., based on the proposal's acceptance in principle by the FDIC. The agreement is also subject to approval by state and federal regulatory agencies.

This is the second assistance agreement the FDIC has entered into this year. In 1988, the FDIC approved 21 such agreements.

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