

Slimmer Continental Gets FDIC Aid

A MASSIVE injection of \$4.5 billion in capital by the FDIC into Continental Illinois National Bank & Trust Co. of Chicago will result in "an exceptionally strong bank with a 7 per cent capital ratio and no non-performing loans." The announcement of FDIC's expected plan was made by FDIC Chairman William Isaac on July 26. The step was taken to prevent having to declare Continental Bank insolvent, thus avoiding a potential disaster in the nation's financial markets.

In announcing the financial package to keep Continental as a slimmer, viable bank with \$30 billion assets—down considerably from its point as one of the nation's top 10 banks—Chairman Isaac announced that John E. Swearingen, former chairman and CEO of Standard Oil of Indiana, would be the new chairman and CEO of Continental Illinois Corp. He also said William S. Ogden, former vice chairman and chief financial officer at Chase Manhattan Bank in New York would be president and CEO of Continental Bank. Mr. Swearingen and Mr. Ogden knew each other well when Mr. Swearingen was a director of Chase Bank before his retirement from Standard Oil. Both men will be paid \$600,000 salaries.

Chairman Isaac said the FDIC

will *not* be running the bank, but will exercise the rights of any majority stockholder. All present directors of Continental Illinois Corp. have submitted their resignations. It was not known what action would be taken on formation of a board.

The FDIC package provides it will assume \$4.5 billion of Continental's non-performing loans in exchange for repaying Continental's \$3.5 billion loan due to the Federal Reserve Bank of Chicago. FDIC also will purchase \$1 billion of preferred stock in the Continental Illinois Corp. That effectively gives it an 80% position in the corporation. If, at the end of five years, it has lost money, it may take over any or all of its 80% position by conversion to common stock, which would dilute or wipe out present stockholder equity.

Chairman Isaac stressed that "We are doing this transaction because we have the responsibility to ensure the safety and soundness of the banking system. We are doing the transaction at the lowest cost." He added it was being done without government tax dollars and was not special treatment of a "big bank," as opposed to recent failures of "small" banks. He said the ripple, or tidal effect, of a Continental failure was obvious—"You would have had

scores of bank failures if this were handled differently. Principal beneficiaries have been the small banks."

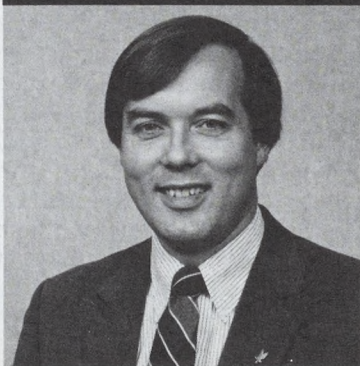
Chairman Isaac said 2,100 banks, mostly small community banks, had more than \$6 billion in funds in Continental.

FDIC will assume about \$3 billion loans at book value at once, and another \$1.5 billion over the next three years. FDIC will make its payments to the Fed from proceeds of the loans it acquires. If those loan proceeds don't materialize, it will have to pay the Fed from its own funds. The immediate effect, some observers say, will be that banks nationwide possibly won't have any FDIC refunds this year or next year, and could face the possibility of having FDIC premiums increased, reflecting the cost to all banks to keep the safety of the banking system in place under FDIC.

The previous \$5.5 billion of credit provided Continental last May by a group of major United States banks will continue indefinitely. Mr. Isaac stated simply that if Continental requires more money to keep it going, FDIC will provide those funds. □

'Market Day' Is Sept. 5

The First Stock Yards Bank and First National Bank of St. Joseph, Mo., will sponsor their annual "Market Day" on September 5. It will



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open at 9 a.m. with the traditional continental breakfast in the First Stock Yards Bank lobby, followed by a tour of a local industrial plant—possibly the newly reopened Swift packing plant.

Noon luncheon will be served at the Wooden Nickel restaurant in the Yards (the venerable Hoof and Horn burned down last winter!) at which time bankers will get the usual market update.

The meeting then will adjourn to the St. Joseph Country Club where the traditional ag panel will discuss market trends and the future, and the afternoon meeting will conclude with a well-known speaker. "Market Day" will conclude with the outdoor grill steak dinner.

Iowa News

DUBUQUE: Robert F. Neuwoehner has been appointed senior vice president for business development of Dubuque Bank and Trust Co. Mr. Neuwoehner has been employed the past 45 years by the St. Regis Corporation, most recently as general manager of the St. Regis Dubuque facility.

MANNING: James R. Johnston has been named president and a director of Manning Trust & Savings Bank. He previously was with First Trust & Savings Bank, Alta, for seven years as chief executive officer.

WALL LAKE: Neil Steinkamp has been promoted to executive vice president in charge of loan administration and Dan Rodman was promoted to vice president of Wall Lake Savings Bank. Mr. Steinkamp has been with the bank since 1972 and was also elected to the board of directors. Mr. Rodman joined the bank in 1978 as agriculture representative.

Nebraska News

Roger Beverage, Nebraska director of banking, will conduct a hearing in his offices August 16 concerning the rules that would govern any implementation of the Nebraska law permitting a holding company or groups of banks, either within or from outside the state, to obtain a charter for operating a "credit card bank" within Nebraska. The charter could be national or state, and would be only for operation of a credit card center, according to Nebraska law. The law was passed in 1983 and codified as 8-905-906. When LB1076 was passed in 1984 it expanded the law by allowing groups of banks to be eligible for such a charter. Also, the actual operation of such credit card services could be farmed out to a service center; e.g., First Data Resources of Omaha, which does nationwide credit card operations for various card issuers.

CLEARWATER: E. James Haggart has accepted the position of

president of the Citizens State Bank, Clearwater. Previously employed by the City National Bank and Trust Company in Hastings for 15 years, Mr. Haggart most recently has served the past two and one-half years as president of the Bank of Verdigre and Trust Company, Verdigre.

LINCOLN: A hearing will be held August 16 at 9:00 a.m. in Judge Chevront's court to determine if he will approve a tentative agreement reached between Director of Banking Roger Beverage and FirstTier holding company for the latter to purchase certain assets of the defunct Commonwealth Savings Co. Under that agreement, FirstTier would buy performing loans of \$307,379.77 and pay that amount, which would go to the receivership that pays former depositors. FirstTier would have an option to purchase within 12 months a second group of loans totalling \$2,388,306.94 which are basically delinquent, or do not have complete credit files, or have not been contacted for some time. If these loans can be reactivated or restructured properly, FirstTier also will buy those good loans. A third group of loans, which FirstTier will not buy, amounts to \$2,679,639.70, and are flawed by alleged criminal activity, fraudulence or improper processing. FirstTier will assist Mr. Beverage in the collection of these loans for no fee but reimbursement of expenses only. A fourth category of \$20,690,362.44 (estimated) also will *not* be bought by FirstTier, but the holding company will assist in the collection/sales effort on them for payment of expenses incurred, but no fee.

Under the proposal, FirstTier also would purchase the Commonwealth building if it will have use of the land lease where it stands. FirstTier would charter an S&L, insured with FSLIC and would set up accounts in it for whatever deposits the receivership can pay back to former depositors. Those customers could withdraw the funds or leave them in the new, insured institution at competitive market rates of interest. Future payments to former depositors would be handled in the same fashion. The receivership would have office space in the building, provided at no charge by FirstTier.

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L. Shafer were promoted to senior vice presidents. Mr. Kohout will be in charge of the agricultural banking group and financial institutions group in addition to being president and chairman of Norwest Bank Omaha South. Mr. Shafer is regional vice president of human resources and will also be senior vice president of human resources for Norwest Bank Omaha.

OMAHA: Omaha National Bank has acquired the Commercial Savings Co. of Grand Island, according to John D. Woods, chairman and CEO of Omaha National. The industrial loan and investment company opened July 31 as Omaha National Bank Grand Island, a full-service branch of Omaha National.

WAKEFIELD: Wakefield National Bank has announced the election of Randy Lanning as executive vice president. Mr. Lanning has been associated with Nebraska State Bank in South Sioux City for the past nine years. Donald H. Kuhl will be assuming the duties of vice president, lending and customer service. He has been with the bank since 1975.

Illinois News

SKOKIE: First National Bank of Skokie has announced the promotion of James R. Slack to senior vice president of the support services division of the bank. Mr. Slack has been with the bank since 1968.

Wisconsin News

ABBOTSFORD: Ronald D. Stephens has been elected president of Abbotsford State Bank. Mr. Stephens joined the bank in 1977 after a nine year association with Mound City Bank of Platteville.

DRUMMOND: Harvey E. Lorfeld has been named president and chief executive officer of State Bank of Drummond. He succeeds Raymond J. Rudnicki, who has resigned to accept a position with a bank in Oklahoma City. Mr. Lorfeld has been serving as president of the Dairy State Bank in Rice Lake and presi-

dent of Citizens State Bank in Birchwood.

EAGLE RIVER: Paul Jensen was recently named president of First National Bank here. Previously with Valley Bank Green Bay for 18 years, Mr. Jensen stepped into his new position July 9, succeeding Melvin L. Brown who is retiring.

MILWAUKEE: LeRoy C. Gust, president of Heritage Bank Beloit, has been promoted to president of Heritage Bank's main bank in Milwaukee. He replaces Roger Dirksen, who moves up to president of Heritage's holding company, Heritage Wisconsin. Mr. Gust joined the Beloit bank in 1977 as executive vice president, was elected president of the bank in 1978 and appointed senior vice president of Heritage Wisconsin that same year.

South Dakota News

The South Dakota Bankers Association is sponsoring a Commercial Loan Seminar August 28, 29 at the Holiday Inn, Mitchell.

The first day of the seminar will run from 1-4:30 p.m., and from 8:30 a.m. to 3:00 p.m. on the second day.

John Barrickman, senior vice president of Bank Earnings International, Atlanta, Ga., will open the seminar with a presentation on "Loan Origination and Documentation." He will continue with his presentation through all of the second day. A presentation on "Loan Origination and Documentation with Micro Computer Demonstration" by Don Cheatham, Computech, Inc., Minneapolis, Minn., will follow the

first part of Mr. Barrickman's talk on the first day.

To register contact the SDBA office in Pierre.

SIOUX FALLS: Dennis Holzwarth and Stephanie Mundhenke were recently named vice presidents at First Bank of South Dakota's trust department in Sioux Falls. Mr. Holzwarth joined the bank in 1974 and was advanced to assistant vice president in 1983. Ms. Mundhenke began her banking career in 1979 when she was elected trust administrator. She was named assistant vice president in 1983.

North Dakota News

CASSELTON: R.J. Klinkhammer has been named president of First American Bank of Casselton. He succeeds R.T. Carley, who has served as president since 1957. Mr. Carley will continue to be active in the bank as chairman. Mr. Klinkhammer, who also was elected to the board, had been serving as vice president in charge of operations since January, 1983. This is the first time that the bank's president has been someone outside the Carley family. The bank was founded in 1920.

Montana News

GREAT FALLS: Jerome S.C. Nelson has been named vice president and senior credit officer at First Bank Great Falls. He has 20 years of banking experience and has spent his entire career with affiliated banks of the First Bank System in the areas of retail banking and real estate finance. He joined First Bank Great Falls in 1975 as manager of the real estate loan department.

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PRESIDENT, New Charter \$50,000 Minimum
INSTALLMENT, #2, large bank, over 100,000 population \$25,000 Minimum
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