Premier gambles on growing economy

By JIM BRADSHAW
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Premier Bankcorp, the holding company that owns what was once Guaranty Bank in Lafayette, is betting that Louisiana's economy will improve over the next decade and that its portfolio of non-performing assets — primarily foreclosed real estate holdings spread across the state — will improve over the next decade.

The company announced Thursday a plan to form a new, special-purpose bank that will purchase and liquidate the bank's troubled assets.

The new bank, which will be called Florida Street National Bank, will be owned by Premier shareholders, but will be managed separately from Premier, N.A., the single bank created this year from banks in Lafayette, Shreveport, Monroe, Baton Rouge, New Iberia, Lake Charles and Houma.

Florida Street National Bank's primary mission will be to purchase and liquidate Premier's portfolio of troubled assets which grew out of Louisiana's economic downturn. The new bank is expected to be in existence only for a limited time, and will not accept deposits. The whole restructuring is subject to regulatory approval, which is expected to be given.

In specific, Premier Bankcorp will:

• Cut $450 million of troubled loans and foreclosed property — almost 11 percent of its assets.
• Write off as 'worthless' $135 million of those assets.
• Sell the remaining $315 million to the separate Florida Street National Bank, which will then attempt to liquidate them.

Florida Street National Bank would be directed by James J. Lindeman, who would be named President and CEO. He was formerly vice president of Continental Illinois National Bank in Chicago, and his most recent responsibilities involved management of the bank's non-performing real estate loans and assets. The Florida Street bank would have a five-member board of directors independent of Premier.

As currently proposed, Premier would capitalize the Florida Street bank with a contribution of $15 million, approximately $11.5 million to acquire all of the FSNB common stock and approximately $13.5 million to acquire all FSNB preferred stock. The plan calls for Premier to hold the FSNB preferred stock and all shares of FSNB common stock would be distributed as a special dividend to the current Premier stockholders.

In return for the $315 million of written down assets, Florida Street will pay to Premier:

• $250 million in cash from the sale of bonds on Wall Street, probably in October.
• $50 million in a note backed by some of the assets.
• $15 million in cash from Premier's injection of capital.

For Premier's part, the $135 million written down will be financed from a special loan loss expense written-off against second quarter 1989 earnings of $79 million and $56 million already set aside to cover the nonperforming assets in the bank's troubled assets.

To rebuild the capital position, Premier's board has given preliminary approval to plans to raise $35 million, probably through the sale of convertible preferred stock. If all goes well, another $85 million may be raised through a shareholder rights offering.

The purpose of the reorganization plan is not only to clean up Premier's balance sheet, but to free the bank from management responsibilities and focus our efforts on growth in our business and returning to profitability, according to Premier CEO G. Lee Griffin.

"The high level of problem assets brought about by the economic downturn in Premier's key market areas has negatively impacted our earnings and absorbed management's efforts for the last several years," he said. "This proposed action...will allow management to concentrate its attention on profitable growth and quality service, and Premier will be well positioned to return to profitability."

Griffin says that elimination of administrative costs of managing the problem assets and the reduction of risk of future deterioration in their realizable value "relieves considerably the heavy costs previously associated with managing and holding (these) assets."

The Florida Street plan mimics a successful good bank move made by the giant Pittsburgh-based Mellon Bancorp, which analysts say has apparently worked fine. Mellon's "bad" bank was named the Grant Street National Bank, after a Mellon address.

In Pittsburgh, Florida Street National Bank takes its name from Premier's corporate address, 451 Florida St. in Baton Rouge.

Low elected at Acadian Village

The Acadian Village Commission has elected Bob Lowe to serve a one-year term as chairman. Lowe has served two previous terms as chairman since the commission was established in 1976.

Lowe thanked outgoing Chairman Pam Deville for her efforts in helping the Acadian Village retain its position as "the outstanding tourist attraction in the area."

"It is a pleasure to accept the chairmanship of an organization that has no debt, is self-supporting, and has a profit at the end of each fiscal year," Lowe said. He noted that the executive director, A.J. LeBlanc, has "done a tremendous job in traveling to trade shows and conventions and developing the relationships with touring groups that result in the hundreds of tourist buses that have the Acadian Village as a high priority on their itinerary."

According to Lowe, the Acadian Village is "a prime example of utilizing local attractions and local people to provide entertainment for visitors that, in turn, provide employment and support for local citizens."

The Village is on property owned by the Lafayette Association for Retarded Citizens and part of the revenue generated is returned to the LARC. In addition the Village furnishes employment for many handicapped individuals who have been trained in the LARC program at the New Hope Center and the Almanac Center.

Other members of the Acadian Village Commission are Dr. James Jackson, Mrs. Jerry Landry and Mrs. Mae Stutes."