

# Alaska Mutual, UBA announce plan to merge

**Tundra Times staff**

Alaska Mutual Bancorporation and United Bancorporation Alaska Inc. announced Tuesday that the two firms plan to merge and that the Federal Deposit Insurance Corp. will contribute \$295 million of open bank assistance.

The Hallwood Group Inc., a merchant banker with offices in Cleveland and New York which specializes in assistance to companies that are close to bankruptcy, has made a preliminary commitment to raise \$65 million of private capital for the merged organization, as a part of the plan.

Barry Hulin, president of Alaska Mutual, said the proposed merger — which would create one new bank that would be the largest in Alaska and the one with the best capitalization — is excellent news for Alaska's economy.

To be merged are Alaska Mutual Bank, United Bank Alaska and United Bank Alaska Southeastern. Currently, Alaska Mutual is the state's second largest bank, and United Bank Alaska is the fourth largest.

Hulin and John Shively, chairman and CEO of UBA, said the only other option — closing the banks — would have had traumatic effects of the state's economy.

"It's an exciting deal for the state," Hulin said.

Hulin and Shively also praised Gov. Steve Cowper and Sens. Ted Stevens and Frank Murkowski for their assistance in promoting the proposed merger.

Together the two banks have nearly \$1 billion in their loan portfolios. Hulin said it would be disastrous if the

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# • Merger plan

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FDIC closed the two banks and attempted to liquidate the assets — mostly real estate loans — in an already soft market.

"We just can't imagine the mayhem that would have resulted," Hulin said.

There also would have been a big impact on the job market in Alaska. The two banks employ the equivalent of about 530 full-time employees, 290 at Alaska Mutual and 240 at UBA.

Hulin said that although both he and Shively will be prohibited from holding management positions in the new bank under FDIC requirements, he is relieved that the proposed merger can go forward. The FDIC generally closes banks on Friday, and Hulin said, "It's been Friday to Friday to Friday for months."

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The banks have been suffering from the downturn in Alaska's economy because much of their loan portfolio was in the real estate market.

The details of the merger are expected to take up to several months to hammer out, but when it goes through, new management, as well as a new board of directors, will be selected.

Tony Smith, commissioner of the state Department of Commerce and Economic Development, hailed the merger plan. "This is a great day for the state," he said. He added that the commitment by the Hallwood Group shows that "our economy is not as sick as some people say."

Hulin said the proposed contribution from the FDIC is the largest in the agency's history.

Asked by one of the reporters at a press conference whether the deal is a "bail out," Hulin said, "I think who's being bailed out is the financial system of the state of Alaska and the state of Alaska."

Under the merger plan, there will be a significant dilution of the ownership interest of current shareholders of Alaska Mutual and UBA.

Additional stock of the merged holding company is to be issued in connection with the \$65 million capital infusion, which will be implemented, in part, by a common stock rights offering to the shareholders of Alaska Mutual and UBA.

The plan of restructuring requires shareholder approval, which is expected to be sought in late summer or the fall of this year.

The restructuring plan is also subject to approval of the Federal Reserve Board, the State of Alaska Division of Banking, the FDIC, other state agencies and the Hallwood Group.

A new board of directors and senior management will be recommended by the existing boards of Alaska Mutual and UBA, to be elected by shareholders of both organizations.

Pending the adoption of the restructuring plan, the banks will continue to serve their depositors, borrowers and the public as independent banks. Each bank's deposits continue to be insured by the FDIC.

Fifty-seven percent of the current stock of UBA, founded in 1973, is owned by Alaska Native corporations. Shively said the corporations that own the stock already have taken losses on their UBA stock and all are still relatively healthy.