



# NEWS RELEASE

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## FDIC HIRES CRAVATH LAW FIRM TO HELP RECOVER JUNK BOND LOSSES

The Federal Deposit Insurance Corporation announced today that the New York law firm of Cravath, Swaine & Moore has been engaged to help recover millions of dollars lost by failed depository institutions in high-yield "junk bond" investments and related transactions with the Drexel Burnham Lambert Group and former Drexel official Michael Milken.

The Cravath firm was hired as national counsel to represent the FDIC and the Resolution Trust Corporation. The firm will augment the resources of an internal task force of FDIC and RTC lawyers and investigators announced in June to examine possible claims against Drexel, Milken and others. Those resources already include the New York law firm of Thacher, Proffitt & Wood, which the task force has engaged as bankruptcy counsel.

The agreement between the FDIC and Cravath provides that the FDIC will benefit from a favorable payment arrangement, one that represents a substantial discount from the firm's regular billing practices.

The internal Drexel/Milken task force is under the direction of FDIC Deputy General Counsel Jack D. Smith. It is considering pursuing recoveries on behalf of failed institutions from sources that include:

- o Drexel's bankruptcy estate, established after the company filed for Chapter 11 relief in February. The U.S. Bankruptcy Court in New York City has set a November 15 deadline for asserting claims against Drexel and its subsidiaries.
- o Two restitution funds from Drexel and Milken for payments to injured parties. The Securities and Exchange Commission is administering the

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pools, one of \$350 million for claimants of Drexel and one of \$400 million for claimants of Milken.

- o Possible civil claims against Drexel and Milken for damages suffered by federally-insured institutions.

Cravath has committed to provide whatever legal staffing is necessary, including senior trial partners Thomas Barr and David Boies, to work with the FDIC and the RTC.

FDIC General Counsel Alfred J.T. Byrne said: "We are pleased we are able to secure the services of Cravath and, in particular, those of Tom Barr and David Boies. We are well aware of the successes they have had with some of the most complex and important cases decided in recent years."

Mr. Byrne added: "Our goal is to optimize recoveries for the deposit insurance funds and to reduce the ultimate cost of the savings and loan bailout to the American taxpayer. We believe that the addition of Cravath to our existing arsenal that includes the Drexel/Milken task force and Thacher provides us with the formidable resources, both internal and external, to ensure that all appropriate action is taken."

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