FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC SEEKS COURT RULING ON GOLDEN PACIFIC YELLOW CERTIFICATES

The Federal Deposit Insurance Corporation today asked the United States District Court for the Southern District of New York for assistance in deciding whether individuals holding so-called "yellow certificates" issued by the former Golden Pacific National Bank should be accorded status as insured depositors.

Golden Pacific was closed June 21, 1985, by the Comptroller of the Currency and the FDIC was named receiver. The Comptroller closed the institution after detecting irregularities in the bank's records and determining that the bank was insolvent.

Although Golden Pacific's customers had purchased certificates worth almost $15 million from the bank, funds derived from the sale of the certificates were not shown on the bank's books. These certificates were known as yellow certificates because of the color of the paper on which they were printed.

The FDIC is authorized by the Federal Deposit Insurance Act to seek assistance from the courts whenever the validity of a deposit insurance claim cannot be determined. Some officials of Golden Pacific contend individuals who purchased yellow certificates signed documents which clearly indicated they knew they were purchasing uninsured investment instruments. The FDIC, however, has received 228 claims from former Golden Pacific customers who maintain they were told by bank officials that the yellow certificates represented FDIC-insured deposits. The FDIC believes there are at least 367 yellow certificates outstanding.

The FDIC investigation of the yellow certificates has failed to produce conclusive evidence of their status, or lack of status, as insured bank deposit instruments. Principals of the defunct bank have not cooperated in the

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investigation, and the FDIC has been presented with conflicting statements and documentation which make it difficult to determine whether individual certificates should be viewed as insured deposits. In addition, some of the bank's former depositors have initiated a class action suit against the FDIC. The class action suit has placed the matter in the courts, and the FDIC has decided judicial review is the best option available for resolving the insurance status issue.

Whenever an FDIC-insured bank is closed, the FDIC's primary responsibility is to make sure all insured depositors are promptly paid, up to the statutory insurance limit. All clearly identifiable insured deposits that were held by Golden Pacific, totaling approximately $117 million, were transferred to the Hong Kong and Shanghai Banking Corporation on June 26. Individuals whose deposits, totaling approximately $16 million, were improperly collected by Golden Pacific's domestic loan production offices also have been reimbursed.

Individuals who purchase uninsured investment instruments issued by a bank are treated as general creditors and share proportionately with the FDIC and other uninsured creditors in recoveries realized from liquidation of a failed bank's assets.

The U.S. District Court is being asked to rule on the insurance status of the yellow certificates issued by Golden Pacific. The court can decide each certificate holder's insurance claim after considering the relevant facts and how those facts relate to laws governing federal deposit insurance coverage.

Due to statutory requirements, holders of yellow certificates have been identified as "defendants" in documents submitted to the District Court by the FDIC. However, the FDIC does not view this action as an adversarial proceeding. Rather, the FDIC hopes the court will be able to quickly render a decision that will be fair to both the FDIC and the holders of the yellow certificates.

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