RESOLUTION

BE IT RESOLVED that the attached document represents the General Operating Policies hereby adopted by the Resolution Trust Corporation on an interim basis. These General Operating Policies summarize the major existing resolution policies of the Federal Deposit Insurance Corporation. The adoption of these General Operating Policies is consistent with the actions taken by the Oversight Board in its meeting today.

FDIC Resolution Policies

This document summarizes the major resolution policies of the Federal Deposit Insurance Corporation.

The FDIC's primary goal is to resolve insolvent institutions in a manner that minimizes the long-term cost to the government. FDIC will strive to ensure that restructured institutions are adequately capitalized and well managed and do not impose unacceptable risks on the deposit insurer.

Another major goal of the FDIC is to maximize the recovery on failed institutions' assets while utilizing the private sector as much as possible.

GENERAL OPERATING POLICIES

Treatment of Potential Acquirers

*Potential bidders and the general public will be kept fully informed regarding the ground rules of the resolution process and the structure and parameters of completed transactions.

*In most cases, insolvent institutions will be resolved subject to a competitive bidding process.

*Qualified bids by entities other than depository institutions will receive no more and no less favorable treatment than bids by bank or acquirers.

*Offers will be accepted that do not include the management of problem assets; acquirers will be regarded as one among many potential asset managers. The FDIC will retain the flexibility to dispose of assets separately.

*In general, transactions will not include yield maintenance arrangements that guarantee a built-in spread on selected assets.

Capitalization of Restructured Institutions

*Acquirers of restructured institutions will be expected to fully capitalize the institution at levels consistent with those required for national banks.

*Capitalization typically will not be required for problem assets retained by the FDIC and managed by the acquirer under appropriate incentive arrangements.

*Generally, the FDIC will avoid taking ownership interests in institutions resulting from assistance transactions.

Forbearances

*The FDIC will avoid granting any forbearances from federal laws or supervisory requirements; nor will it authorize any powers or rights denied to federally chartered institutions. The FDIC may use its powers to grant forbearances from state laws that interfere with the cost effective and efficient resolution of insolvent institutions.

TRANSACTIONS

Preference for Market-Determined Consolidations

*The FDIC generally does not pursue administratively imposed consolidations of geographically proximate institutions.

*Offering institutions in the same area for sale at the same time is a market-based approach to consolidations can be considered.

Solicitation of Bids

*Wherever appropriate, potential acquirers will bid for standardized "clean-institution" or "whole-institution" packages.

*In some cases, especially for larger or more complex institutions, a customized package will be designed and put out for bid.

*The FDIC will delegate the handling of many smaller institutions to regional offices.

Asset Reviews

*In appropriate cases, the FDIC will attempt to provide bidders with the results of asset reviews performed by a third party. The FDIC will retain the flexibility to pursue other approaches on a case-by-case basis.

Asset Puts

*Where acquirers retain assets of questionable quality, the FDIC will generally provide some form of asset protection, such as post-transaction markdowns or putbacks for a limited time-period. The FDIC will consider the possibility of providing short-term protection against market fluctuations on long-term, fixed-rate assets to facilitate portfolio restructuring.

Transaction Structure

*In each case, FDIC will evaluate the feasibility of successfully arranging a "whole-institution" solution where substantially all assets pass to the acquirer. Whole institution transactions will not be pursued where they appear impractical due to lack of market interest, would result in unreasonable delays in the resolution process, or where the volume of problem assets is unduly large relative to the acquirer's capital account or ability to manage.