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FDIC, RTC FILE \$6 BILLION LAWSUIT AGAINST MICHAEL MILKEN,
OTHER DREXEL AND THRIFT INDUSTRY OFFICIALS OVER JUNK BOND LOSSES

The Federal Deposit Insurance Corporation and the Resolution Trust Corporation today filed a lawsuit against former Drexel Burnham Lambert official Michael R. Milken and other individuals to recover more than \$6 billion in damages suffered by failed savings and loan associations in junk bond investments.

The lawsuit follows a November bankruptcy court filing by the FDIC and the RTC for \$6.8 billion in claims against the Drexel securities firm, based on similar allegations surrounding S&L losses. Today's separate court filing in the Federal District Court in New York City seeks recoveries from Milken and other individuals, not from the Drexel bankruptcy estate.

The suit alleges that Milken and numerous co-conspirators willfully and illegally induced S&Ls to purchase billions of dollars of junk bonds by distorting the true value and liquidity of the bonds. The agencies also claim the conspirators monopolized the junk bond market and "undertook extensive manipulations to inflate junk bond prices artificially and to create an illusion of liquidity." According to the complaint, among the goals of the conspirators was "to earn monopoly profits and defer or disguise losses on junk bond portfolios."

The manipulations cited by the two agencies included bribes, coercion, the inflation of junk bond issues in order to increase fees, concealing junk bond defaults, hiding the true ownership of securities by Drexel officials and committing various other violations of federal securities laws and state laws.

FDIC and RTC Chairman L. William Seidman said: "Congress and the American taxpayers who are paying for the S&L bailout fully expect us to recover as much

as we can from those who defrauded failed S&Is. We will continue to pursue those who defraud institutions with all resources available to us."

The complaint filed today seeks damages from four groups of defendants:

- o Michael Milken and 22 others who worked with him to perpetrate the conspiracy or who were in a position to disclose the conspiracy.
- o Persons in control of Drexel, including Michael Milken, his brother Lowell J. Milken, Frederick H. Joseph, Edwin Kantor and four corporations with controlling interests in the company, including Groupe Bruxelles Lambert S.A., based in Brussels, Belgium.
- o More than 400 limited partnerships formed by the Milkens to buy, sell and hold securities. The FDIC/RTC complaint states that interests in the partnerships were given as rewards to individuals who participated in the conspiracy to defraud federally insured S&Is.
- o Former or present chief executive officers of failed or failing thrifts who willingly assisted Milken in the looting of their own institutions. These include: Charles H. Keating, Jr., of Lincoln Savings in Irvine, California; David L. Paul of CerTrust in Miami; and Thomas P. Spiegel of Columbia Savings in Beverly Hills, California.

Today's court filing is the latest result of a wide-ranging and ongoing investigation of junk bond losses by failed S&Is that Mr. Seidman has described as "among the most extensive ever undertaken by federal banking agencies."

Chairman Seidman noted that actual losses sought in today's complaint total more than \$2 billion; the remaining \$4 billion are alleged punitive damages that are awarded to victims of violations of antitrust and anti-organized crime laws. Chairman Seidman also noted that while the claim is large, the actual damages represent less than one percent of the estimated losses suffered in the thrift crisis.