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FDIC, RTC SUPPORT SETTLEMENT IN DREXEL BANKRUPTCY

The Federal Deposit Insurance Corporation and the Resolution Trust Corporation said today they anticipate receiving several hundred million dollars under a proposed settlement in the bankruptcy proceedings involving Drexel Burnham Lambert Group, Inc., and 18 of its subsidiaries. The settlement was announced today by the U.S. District Court in New York.

The agreement involves, among other things, a complex series of transactions that will "pool" certain claims of the FDIC and the RTC with claims that others have filed against former Drexel officer Michael R. Milken and other defendants. The FDIC and the RTC have asserted civil claims for damages suffered by failed savings and loan associations from investments in junk bonds sold by Milken. FDIC and RTC officials expect pooling these claims will enhance the agencies' recoveries in their pending lawsuits against Milken and the others by allowing their lawyers greater control and immediate access to documents and other information concerning Drexel's junk bond operations.

L. William Seidman, Chairman of the FDIC and the RTC, said: "We are pleased with the progress that the settlement of our claims in the Drexel bankruptcy will represent. It will save the American taxpayer several hundred million dollars and should establish the foundation for other, more extensive recoveries in the future."

The settlement was endorsed by lawyers for the FDIC, the RTC, the Securities and Exchange Commission, various Drexel creditors' committees and securities litigation claimants, and the Drexel bankruptcy estate. The agreement does not affect the agencies' civil claims for more than \$11 billion still pending against Milken and others.

Alfred J.T. Byrne, General Counsel of the FDIC and RTC, credited the agreement to "the direction and determination of Judge Milton Pollack to urge the parties to put this matter behind them — a position we supported all along. It is time to stop the waste of the debtors' estates."

Mr. Byrne added: "The agreement would not have been possible without the extraordinary efforts of the FDIC and RTC lawyers on our internal Drexel Task Force and the lawyers from our outside firm who have worked virtually around-the-clock on this case for several months."

The FDIC and RTC also emphasized that, under the bankruptcy settlement, Drexel companies would be prohibited from reorganizing or continuing to sell securities to the public. Instead, a small number of employees will be retained by an entity to maximize the value of Drexel's remaining portfolio of securities for the benefit of the parties to the settlement agreement.

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