

Joint News Release

Federal Deposit Insurance Corporation
Resolution Trust Corporation

FOR IMMEDIATE RELEASE

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PR-340-91 (RTC)

FDIC, RTC REACH SETTLEMENT WITH FORMER DREXEL CEO JOSEPH,
AMEND CLAIMS FOR JUNK BOND LOSSES AGAINST MICHAEL MILKEN AND OTHERS

The Federal Deposit Insurance Corporation and the Resolution Trust Corporation announced today that they have agreed to settle their claims against Frederick H. Joseph, the former Chief Executive Officer of the Drexel Burnham Lambert securities firm, in a case involving junk bond losses by savings and loan associations.

Joseph is one of several former Drexel insiders, including Michael R. Milken, sued by the FDIC and the RTC to recover approximately \$12 billion in damages suffered by failed S&Ls in junk bond investments. Joseph was sued because of his position as a top Drexel official and therefore a "control person" under the securities laws. The two agencies have alleged 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. A pending civil suit filed by the two agencies in January alleges a scheme by Milken and others involving "bribery, coercion, fraud and other illegal means."

Under the settlement agreement, Joseph will pay between \$3 million and \$3.5 million. The agreement also requires Joseph to provide his full cooperation in the agencies' continuing prosecution of claims against Milken and other Drexel insiders.

Also today, the FDIC and the RTC filed an amended complaint in their civil suit against Milken and others in the U.S. District Court in New York City. The amended complaint contains a more detailed description of the

previously alleged fraudulent schemes and conspiracies, and adds a number of other individual defendants and several additional investment partnerships used in the alleged schemes and conspiracies.

The FDIC, RTC and other parties in May reached a settlement in the separate Drexel bankruptcy proceeding. That settlement was approved by Federal Judge Milton Pollack in New York last Friday. The bankruptcy settlement is expected to bring several hundred million dollars to the two agencies.

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