



## NEWS RELEASE

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### FDIC STEPS UP INVESTIGATION OF DREXEL, MILKEN

The Federal Deposit Insurance Corporation announced today the formation of a special task force as part of increased efforts to recover millions of dollars lost by closed depository institutions in junk bond investments with the Drexel Burnham Lambert Group and former Drexel official Michael Milken.

The task force will consist of lawyers from the FDIC and the Resolution Trust Corporation, an agency managed by the FDIC and created by Congress last year to sell or merge hundreds of failed savings associations. The new task force was established as part of a comprehensive and coordinated effort on behalf of the FDIC and the RTC to investigate claims against Drexel and Milken, and to consider possible criminal referrals to the Justice Department.

FDIC General Counsel Alfred Byrne said today: "The FDIC always investigates failed institutions for signs of wrongdoing that may have contributed to the failure. In this case, we have preliminary information that links Drexel and Milken to millions of dollars lost by a number of failed thrifts in junk bonds. In fact, we believe that the FDIC and the RTC may be among the largest creditors in the Drexel bankruptcies. Through this new task force, and through other measures, we intend to recover the maximum amount possible for our insurance funds and, ultimately, for the American taxpayer."

Drexel filed for Chapter 11 relief with the U.S. Bankruptcy Court in New York City in February. The court recently established November 15, 1990, as the deadline date for asserting claims against Drexel and its subsidiaries in bankruptcy.

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Milken, who led Drexel's junk bond activities in Beverly Hills, California, pleaded guilty to six felonies in April and agreed to pay \$400 million in restitution, which would be available to injured parties. The Securities and Exchange Commission is holding pools of \$350 million for claimants of Drexel and the \$400 million for claimants of Milken.

"Although we have been been investigating the link between Drexel and failed thrifts for some time now, the November 15 date set by the bankruptcy court is prompting us to step up our efforts to nail down these claims," Mr. Byrne said. "This task has become one of our highest priorities. We want the financial industry and the American public to know that we will vigorously pursue any and all claims we have against those who defrauded federally-insured institutions."

The FDIC task force studying the claims against Drexel and Milken is under the direction of Jack Smith, a Deputy General Counsel. The task force includes specialists from the Legal Division's criminal fraud section, the bankruptcy section, and a section that specializes in RTC matters.

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