

No.: 91-294

Date: August 14, 1991

FEDERAL HOUSING FINANCE BOARD

Indemnification Policy for the Office of Finance

WHEREAS, the Federal Housing Finance Board (Finance Board) is responsible for ensuring the safety and soundness of the Federal Home Loan Bank (FHLBank) System:

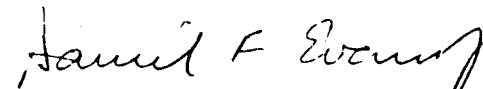
WHEREAS, employees of the Office of Finance have not been covered by an indemnification policy for actions taken related to the consolidated obligations of the FHLBanks, the operations of the Finance Corporation, the operations of the Resolution Funding Corporation, or other actions taken in the ordinary course of the operations of the Office of Finance since repeal of the indemnification regulation at section 932.42 of the Finance Board's regulations, 55 Fed. Reg. 1393, 1400, (Jan. 16, 1990); and

WHEREAS, an indemnification policy for employees of the Office of Finance is essential to the safe and sound operation of the FHLBank System;

THEREFORE RESOLVED, that employees of the Office of Finance shall be covered by an indemnification policy for actions taken beginning August 9, 1989 on the terms set forth in Attachment A to this resolution, which is incorporated by reference; and

FURTHER RESOLVED, that any payment required under the attached indemnification policy shall become part of the operating expenses of the Office of Finance and as such these incurred costs would become the responsibility of the FHLBanks, with the costs to be divided according to the percentage of paid in capital held by each FHLBank in November of the year preceding the judgment.

By the Federal Housing Finance Board



Daniel F. Evans, Jr., Chairman

Attachment A to Finance Board Resolution 91- 294
(August 14, 1991)

Office of Finance Indemnification Policy

(a) Definitions and rules of construction. (1) Definitions for purposes of this policy.

(i) Action. Any judicial or administrative proceeding, or threatened proceeding, whether civil, criminal, or otherwise including any appeal or other proceeding for review;

(ii) Court. Includes, without limitation, any court to which or in which any appeal or any proceeding for review is brought.

(iii) Final judgment. A judgment, decree, or order which is not appealable or as to which the period for appeal has expired with no appeal taken.

(iv) Settlement. Includes entry of a judgment by consent or confession or a plea of guilty or nolo contendere.

(2) References in this document to any individual or other person, including the Office of Finance, shall include successors and assigns thereof.

(b) General. Subject to paragraph (c) of this policy, the Federal Home Loan Banks (FHLBanks) shall indemnify any person against whom an action is brought or threatened because that person is or was a director, officer, or employee of the Financing Corporation (FICO), the Resolution Funding Corporation (REFCorp) or employee of the Office of Finance, for:

(1) Any amount for which that person becomes liable under a judgment in such action; and

(2) Reasonable costs and expenses, including reasonable attorney's fees, actually paid or incurred by that person in defending or settling such action, or in enforcing his rights under this policy if he attains a favorable judgment in such enforcement action,

(c) Requirements. Indemnification shall be made to such person under paragraph (b) of this policy only if:

(1) Final judgment on the merits is in his favor; or

(2) In case of: (i) Settlement, (ii) final judgment against him, or (iii) final judgment in his favor, other than on the merits, if a majority of the directors' of FICO, REFCorp, or in case of the Office of Finance, the Bank Presidents' caucus, determines that he was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed

1. For purposes of this document, the term "directors" refers to members of the FHLBank Presidents' caucus in instances involving possible indemnification of employees of the Office of Finance other than in their capacity with FICO or REFCorp.

under the circumstances was in the best interests of FICO, RECORP, the Office of Finance or the FHLBank System. However, no indemnification shall be made unless FICO, REFCorp or the FHLBank Presidents' caucus, as appropriate, gives the Federal Housing Finance Board (Finance Board) at least 60 days' notice of its intention to make such indemnification. Such notice shall state the facts on which the action arose, the terms of any settlement, and any disposition of the action by a court. Such notice, a copy thereof, and a certified copy of the resolution containing the required determination by the board of directors shall be sent to the Executive Secretary to the Finance Board, who shall promptly acknowledge receipt thereof. The notice period shall run from the date of such receipt. No such indemnification shall be made if the Finance Board advises the directors in writing, within such notice period, of its objection thereto.

(d) Payment of expenses. If a majority of the directors concludes that, in connection with an action, any person ultimately may become entitled to indemnification under this policy, the directors may authorize payment of reasonable costs and expenses, including reasonable attorneys' fees, arising from the defense or settlement of such action. Nothing in this paragraph shall prevent the directors from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the FHLBank System.

(e) Exclusiveness of provisions. FICO, REFCorp and the FHLBank Presidents' Caucus shall not indemnify any person referred to in paragraph (b) other than in accordance with this policy. Nothing in this policy shall preclude a FHLBank from separately indemnifying its president for service as a director of FICO or REFCorp.