

No.: 92-62

Date: February 13, 1992

FEDERAL HOUSING FINANCE BOARD

Indemnification Policy for the Office of Finance

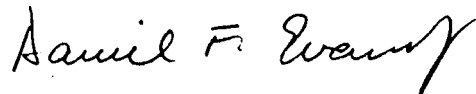
WHEREAS, the Federal Housing Finance Board (Finance Board) is responsible for ensuring the safety and soundness of the Federal Home Loan Bank (FHLBank) System;

WHEREAS, an indemnification policy for members of the Board of Directors, officers and employees of the Office of Finance, the Financing Corporation (FICO) and the Resolution Funding Corporation (REFCorp) is essential to the safe and sound operation of the FHLBank System;

THEREFORE RESOLVED, that members of the Board of Directors, officers and employees of the Office of Finance, FICO and REFCorp shall be covered by an indemnification policy for actions taken from this day forward on the terms set forth in Attachment A to this resolution, which is incorporated by reference; and

FURTHER RESOLVED, that Finance Board resolution 91-294 dated August 14, 1991, shall continue to govern indemnification for officers and employees of the Office of Finance, FICO and REFCorp from August 9, 1989 to date, but is superseded by this resolution for all future actions.

By the Federal Housing Finance Board



Daniel F. Evans, Jr., Chairman

Office of Finance, FICO and REFCorp Indemnification Policy

(a) Definitions and rules of construction.

(1) Definitions.

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

(ii) Appropriate governing board. The appropriate governing board shall be: (a) the Office of Finance Board of Directors for the Office of Finance, (b) the Financing Corporation Board of Directors for the Financing Corporation and (c) the Resolution Funding Corporation Board of Directors for the Resolution Funding Corporation.

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

(iv) 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.

(v) Settlement. Includes an agreement between parties who have engaged in an action or an agreement with a party that has threatened to file an action or 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 Office of Finance, the Financing Corporation (FICO), or the Resolution Funding Corporation (REFCorp), as appropriate, shall indemnify any person against whom an action is brought or threatened because that person is or was a member of the board of directors, officer, or employee of the Office of Finance, the FICO, or the REFCorp for:

(1) Any amount for which that person becomes liable under a Final Judgment or Settlement in such action; and

(2) Reasonable costs and expenses, including reasonable attorneys' 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 favor of the person requesting indemnification; 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 members of the appropriate governing board determine that the person requesting indemnification 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 under the circumstances was in the best interests of the Office of Finance, FICO, REFCorp, or the FHLBank System. However, no indemnification shall be made unless the appropriate governing board 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 appropriate governing board shall be sent to the Executive Secretary of 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 appropriate governing board in writing, within such notice period, of its objection thereto.

(d) Payment of expenses. If a majority of the appropriate governing board concludes that, in connection with an action, any person ultimately may become entitled to indemnification under this policy, the appropriate governing board 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 appropriate governing board from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the FHLBank System. Any payment required under this policy shall become part of the operating expenses of either the Office of Finance, FICO or REFCorp, as appropriate. The appropriate governing board shall have the authority to assess the FHLBanks for any indemnification approved pursuant to this policy, 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.

(e) Exclusiveness of Provisions. The Office of Finance, FICO and REFCorp 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 officers, employees or agents for serving the Office of Finance, FICO or REFCorp, but in no case shall any officer, employee or agent of a FHLBank serving the Office of Finance, FICO or REFCorp be entitled to collect more for indemnification than any amount for which that person became liable or paid in settlement or similar disposition and reasonable costs and expenses, including reasonable attorneys' fees, actually paid or incurred by that person.