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UNITED STATES OF AMERICA
 Before The
 OFFICE OF THRIFT SUPERVISION
 DEPARTMENT OF THE TREASURY

IN THE MATTER OF

RICHARD J. GRASSGREEN,
 Former Director of
 American Savings of Florida, FSB,
 Miami, Florida and Former Chairman
 of the Board and Chief Executive
 Officer of the Enstar Group, Inc.

No. OTS AP 92-106

Dated: October 5, 1992

STIPULATION AND CONSENT TO THE ENTRY OF A
 CEASE & DESIST ORDER FOR RESTITUTION
 AND ORDER OF PROHIBITION

The Office of Thrift Supervision ("OTS") and Richard J. Grassgreen ("Grassgreen") stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that the grounds exist to initiate an administrative proceeding against Grassgreen pursuant to the Federal Deposit Insurance Act, §§ 8(b) and (e), 12 U.S.C.A. § 1818(b) and (e) (West 1989). Grassgreen desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without either admitting or denying that such grounds exist, hereby stipulates and consents to the issuance of the accompanying Cease and Desist Order for Restitution and Order of Prohibition attached hereto as Exhibit A (the "Order") in consideration for OTS hereby forever, remising, releasing and discharging Grassgreen of and from all debts, obligations, liabilities, reckonings, bonds, specialities, controversies, suits, actions, causes of action, claims or demands with respect to any matter discovered, or that could have reasonably been discovered, by the OTS as a result of its investigative proceeding commenced pursuant to Resolution ATL 90-17, dated November 30, 1990.

2. Jurisdiction.

(a) American is a "savings association" and an "insured depository institution" as defined by 12 U.S.C. §§ 1462 and 1813 (West 1989).

(b) Grassgreen is an institution-affiliated party as defined by 12 U.S.C. § 1813(u) (West 1989).

(c) The Director of the OTS is the "appropriate Federal Banking agency" to maintain administrative proceedings against Grassgreen pursuant to 12 U.S.C. §§ 1818(b)(5) (West 1989).

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3. **Consent.** Grassgreen without admitting or denying any violation of law or regulation, consents to the issuance by the OTS of the Order. He further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. **Finality.** The Order is issued under 12 U.S.C. §§ 1818(b) and (c) (West 1989). Upon its issuance, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i) (West 1989).

5. **Waivers.** Grassgreen waives an administrative hearing provided by 12 U.S.C. § 1818(b) (West 1989), and further waives his right to seek judicial review of the Order, including any such right provided by 12 U.S.C. § 1818(h) (West 1989) or otherwise to challenge the validity of the Order.

6. This Stipulation and the Order are not intended to, nor shall they have the effect of, limiting the right or authority of any other governmental agency to initiate or pursue any other action, civil or otherwise, against Grassgreen.

7. Simultaneously with the settlement of this matter, American has entered into an agreement and release with Grassgreen in which American, on behalf of itself, its subsidiaries, affiliates, officers, directors, employees, heirs, successors and assigns (collectively, the "Releasing Party"), has agreed that the amount paid pursuant to the Order shall fully discharge any liability that Grassgreen may have to the Releasing Party, including any liability with respect to any such claims asserted in American Savings of Florida, F.S.B. v. Kirkpatrick & Lockhart, et al., Case No. 91-50084 CA 28 (Circuit Court, Dade County), which action American has agreed to dismiss with prejudice as to Grassgreen.

8. Of the amount to be paid to American, pursuant to the Order, \$1,350,000 shall be allocated to resolution of all potential claims of the OTS in this matter and \$150,000 shall be allocated to resolution of the action brought by American in American Savings of Florida, F.S.B. v. Kirkpatrick & Lockhart, et al., Case No. 91-50084 CA (Circuit Court, Dade County).

WHEREFORE, in consideration of the foregoing, the OTS and Grassgreen execute this Stipulation and Consent.

OFFICE OF THRIFT SUPERVISION

RICHARD GRASSGREEN

/S/

/S/

By: Timothy Ryan
Director

UNITED STATES OF AMERICA
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OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

In the Matter of

RICHARD J. GRASSGREEN,
a Former Director of American
Savings of Florida, FSB,
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OTS PUBLIC AFFAIRS

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**CEASE AND DESIST ORDER FOR RESTITUTION
AND ORDER OF PROHIBITION**

WHEREAS, the Office of Thrift Supervision ("OTS") has conducted an investigation pursuant to Resolution ATL 90-17 dated November 30, 1990 into American Savings of Florida, FSB, Miami Florida, formerly known as American Savings & Loan Association of Florida ("American") and, as a result of that investigation, has concluded that:

Richard J. Grassgreen ("Grassgreen") from at least April of 1988 until September of 1990, was a director of American and from May of 1989 was chief executive officer and chairman of the board of directors of the Enstar Group, Inc. ("Enstar"). During the period relevant hereto, American was a fifty-percent owned subsidiary of Enstar.

In December 1989, pursuant to the provisions of FIRREA, American transferred its junk bond securities to an affiliate

of Enstar in exchange for a promissory note in the principal amount of approximately \$209 million. The note, which was approved by OTS as required by law, was secured by collateral maintained in a collateral account and subject to a collateral pledge agreement between the parties. Under the terms of the agreement, the note had to be secured by collateral with a value of at least 120% of the note balance, which was a condition of OTS approval, and American and OTS had to approve any new or substituted collateral.

10-05-1992 09:26 In May and June of 1990, certain senior officers and directors of American and Enstar, including Grassgreen and Harris Friedman, chairman of the board and chief executive officer of American and a director of Enstar, devised and implemented a plan ("The Collateral Substitution Plan") to substitute collateral of uncertain value, namely stock of a retail subsidiary of Enstar, for cash held in the collateral pool securing the note from Enstar to American. The Collateral Substitution Plan was devised to provide up to \$45 million of capital needed by the retail subsidiary of Enstar. P.28/40

On June 8, 1990, Enstar convened a special telephonic Board of Directors meeting. Grassgreen attended the Board meeting by telephone. At the meeting, Grassgreen, discussed, among other things, the Collateral Substitution Plan, which was then approved. However, despite the risk posed to American by the Collateral Substitution Plan, it was never presented to the American Board of Directors.

Enstar's General Counsel drafted minutes of the June 8th Board meeting that described the purpose and general outline of

the Collateral Substitution Plan. He thereafter requested Alan J. Berkeley ("Berkeley"), an attorney representing American and Enstar, to review the draft minutes. Berkeley's edits stated that the pledge of the retail subsidiary stock was intended to provide adequate collateral in the event of the future sale of Enstar's insurance subsidiary. Berkeley's edited version eliminated the description of the Collateral Substitution Plan contained in the original draft and did not disclose any intention by Enstar to pledge the retail subsidiary's stock to enable Enstar to withdraw "excess collateral" to finance the retail subsidiary. Such withdrawals were thereafter effected by Enstar, with Grassgreen's knowledge, for that purpose. Berkeley sent the edited minutes to Friedman who acquiesced in the changes. The minutes were executed by the appropriate officers of Enstar, including Grassgreen as Chairman. Friedman also consulted Berkeley concerning whether OTS approval was required for the pledge of the Enstar retail subsidiary stock to the collateral account. Berkeley advised Friedman that OTS approval was required and understood that the Friedman would seek that approval. With Grassgreen's knowledge, Friedman sought approval for the additional collateral from OTS. Friedman subsequently caused to be prepared a draft of a letter to OTS seeking OTS approval for the retail subsidiary stock as collateral under the collateral pledge agreement. The draft did not disclose the purpose of the pledge of the retail subsidiary stock and did not state that excess collateral would be withdrawn from the collateral account.

American requested OTS approval for American to accept the stock of the retail subsidiary not as a substitute for cash, but only as additional collateral for the promissory note, as described in the letter drafted by Friedman. On June 22, 1990, the same day that the letter seeking OTS approval was first sent, Grassgreen on behalf of Enstar, with Friedman's approval, withdrew \$29,000,000 in cash from the collateral account. In August 1990, OTS advised American that the stock of the retail subsidiary was not acceptable as collateral. Grassgreen was informed of the OTS disapproval. In August and September, Enstar, with Grassgreen's knowledge, made additional withdrawals of \$9,281,000 from the account, for a total of more than \$38 million. American has lost more than \$23 million as a result.

WHEREAS, Grassgreen neither admits nor denies the allegations arising from the OTS investigation.

WHEREAS, Grassgreen has executed a stipulation between Grassgreen and the Director of OTS attached hereto and incorporated herein by this reference (the "Stipulation"); and

NOW, THEREFORE, the Director of OTS, pursuant to Section 8 of the Federal Deposit Insurance Act ("FDIA"), as amended,

HEREBY ORDERS as follows:

1. Grassgreen is hereby permanently prohibited from holding any office in, or any further participation, in any manner, in the conduct of the affairs of any insured depository institution pursuant to 12 U.S.C. 801818(e).

2. Grassgreen is hereby ordered to pay restitution in the amount of \$1,500,000 to American Savings of Florida, FSB,

Miami, Florida ("American"). Grassgreen shall pay such restitution in five equal annual installments of \$300,000 beginning on November 25, 1992, with succeeding payments being made on November 25th of each of the following four years. Such payments shall be made in the form of cash, money order, bank check or otherwise as the parties may agree. Grassgreen shall execute, in a form acceptable to OTS and American, a non-interest bearing note in the amount of \$1,500,000 and a security agreement in and to the proceeds of assets previously identified by the parties as collateral for payment of the note as described above,

3. Grassgreen agrees to cooperate fully with OTS by, among other things, providing full and truthful testimony in connection with any administrative hearing or other proceeding arising out of OTS's investigation into the affairs of American authorized by Resolution ATL 90-17, dated November 30, 1990.

4. Grassgreen acknowledges and agrees that his consent to the entry of this Order is for the purposes of resolving only those matters discovered, or could have reasonably been discovered, by the OTS as a result of its investigative proceeding commenced pursuant to Resolution ATL 90-17, dated November 30, 1990.

5. All technical words or phrases used in this Order, for which meanings are not otherwise specified or otherwise provided by the provisions of this Order, shall insofar as applicable, have the meanings set forth in one or more of the following laws and regulations: the Home Owners' Loan Act, as amended by FIRREA; the FDIA, as amended by FIRREA; and the

regulations of the OTS, as codified in the Code of Federal Regulations, Title 12, Chapter V (or currently published in the Federal Register). Any technical words or phrases not subject to definition in the foregoing laws and regulations shall have meanings that accord with the best custom and usage in the savings association industry.

6. This Order shall be and is effective and enforceable upon service on counsel for Grassgreen

IT IS SO ORDERED on this 4th day of October, 1992.

OFFICE OF THRIET SUPERVISION

By:

/S/

Timothy Ryan
Director