

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

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IN THE MATTER OF

Ward H. Feitt, Director  
and former President and  
Managing Officer of Grandview  
Savings Association,  
Pittsburgh, Pennsylvania

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: Re: OTS Order No. AP 91-1  
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Dated: January 3, 1991

ORDER OF SUSPENSION; AND  
TEMPORARY CEASE AND DESIST ORDER

On January 3, 1991, the Office of Thrift Supervision ("OTS") of the United States Department of the Treasury issued a Notice of Charges and Hearing for an Order to Cease and Desist and to Direct Restitution and Other Appropriate Relief; Notice of Intention to Remove and Prohibit Respondent from Participation in the Conduct of the Affairs of Federally Insured Depository Institutions, and Notice of Assessment of Civil Money Penalty ("NOTICE") against Ward H. Feitt ("FEITT"), Director and former Managing Officer and President of Grandview Savings Association, Pittsburgh, Pennsylvania ("GRANDVIEW" or "ASSOCIATION"), pursuant to the authority of Section 5(d)(1)(A) of the Home Owners' Loan Act of 1933 ("HOLA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73,

103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. § 1464(d)(1)(A)) (12 U.S.C.A. § 1464(d)(1)(A) (West 1989)), and Sections 8(b) and 8(e) of the Federal Deposit Insurance Act ("FDIA"), as amended by FIRREA (12 U.S.C.A. §§ 1818(b) and 1818(e) (West 1989)), and Sections 407(e) and (g) of the National Housing Act ("NHA"), as amended (12 U.S.C. §§ 1730(e) and 1730(g) (1982)).

Upon review of the NOTICE and the entire record herein, the OTS has determined that there is substantial evidence to demonstrate that: the suspension of FEITT is necessary for the protection of GRANDVIEW and its depositors; and FEITT was and continues to be unjustly enriched through his violations of law and regulation and his repeated and reckless unsafe and unsound practices and breaches of fiduciary duty, as specified in the NOTICE; FEITT's violations and practices were committed with reckless disregard for the law and regulations; GRANDVIEW has incurred losses and is likely to incur further losses or other damage as a result of FEITT's violations, unsafe and unsound practices and breaches of fiduciary duty, as set forth in the NOTICE; and the assets of GRANDVIEW are likely to be further dissipated, and the interests of GRANDVIEW's depositors are likely to be further prejudiced if FEITT is allowed to dissipate or conceal his assets or assets of GRANDVIEW over which he continues to maintain control, prior to the completion of the proceedings conducted pursuant to FDIA Sections 8(b) and 8(e), as amended by FIRREA (12 U.S.C.A. §§ 1818(b) and 1818(e) (West 1989)).

I.

BACKGROUND

1. The purpose of this Order of Suspension; and Temporary Cease and Desist Order is to protect GRANDVIEW and the interests of its depositors, and to prevent the further weakening of the condition of GRANDVIEW and the further dissipation of its assets prior to the completion of the proceedings conducted pursuant to FDIA Sections 8(b) and 8(e), as amended by FIRREA (12 U.S.C.A. §§ 1818(b) and 1818(e) (West 1989)).

The NOTICE sets forth allegations of serious and substantial harm suffered by GRANDVIEW as a result of FEITT's reckless violations of law and regulation, unsafe and unsound practices, and breaches of fiduciary duty. Upon proof of these charges, the total amount of restitution, reimbursement, or other appropriate relief (exclusive of any civil money penalty) would exceed Four Hundred Sixty Nine Thousand Six Hundred Thirty Nine Dollars (\$469,639).

2. The NOTICE seeks restitution and reimbursement of \$428,298, representing \$265,080 of personal benefit to FEITT and/or loss or damage to GRANDVIEW from disbursements caused by FEITT which lacked proper documentation, and/or were for his personal benefit and not for the benefit of GRANDVIEW, plus interest thereon, of \$163,218. Specifically, the area where GRANDVIEW lacked documentation principally involved FEITT related expenses, where FEITT failed to provide and/or maintain: 1) an accurate and complete record of the business transaction; and/or

2) that the expenditure was for GRANDVIEW business. The personal expenditures were excessive and/or inappropriate in nature, and they included, inter alia: foreign junkets to Costa Rica and Acapulco, Mexico, club expenditures, meals, personal health care, clothing, golfing equipment and expensive cigars. The personal expenditures were wasteful, reckless and improper for the safe, sound and prudent operation of an insured depository institution. The expenditures constitute an unlawful diversion and misapplication of federally insured funds. The losses and probable losses resulting from these expenditures are directly attributable to the unsafe and unsound practices, breaches of fiduciary duty and reckless disregard of the law by FEITT.

3. The NOTICE also seeks restitution and reimbursement of \$41,341, representing the \$40,000 in legal fees disbursed by GRANDVIEW for FEITT's personal benefit, plus \$1,341 in interest on the funds. FEITT caused these funds to be disbursed. The Board of Directors has demanded the return of these funds and FEITT has failed, thus far, to reimburse the Association.

4. In addition to the foregoing, the NOTICE assesses a civil money penalty against FEITT, which represents one hundred percent of the funds improperly disbursed after August 9, 1989, the effective date of FIRREA, plus interest, and the costs of the OTS investigation of this matter.

5. The NOTICE and record are the product of extensive examinations of GRANDVIEW by the Federal Savings and Loan Insurance Corporation and the OTS.

6. The NOTICE and record also demonstrate that FEITT has repeatedly enriched himself unjustly and has shown a proclivity to breach his fiduciary duty of loyalty and care and engage in unsafe and unsound practices and act with personal dishonesty, in order to enrich himself at the expense of GRANDVIEW and its depositors, and potentially, the Savings Association Insurance Fund (its deposit insurer), and ultimately, the American taxpayer.

7. It is OTS' experience that the filing of charges prompts respondent insiders to dissipate or conceal their assets. This is true whether or not OTS has already closed the institution and whether or not the respondent insiders had prior reason to believe that OTS might act. There is evidence that FEITT removed most of his funds from at least one account at GRANDVIEW soon after the OTS made inquiries into the status of the account.

8. FEITT is still a director of GRANDVIEW despite the fact that, based on the findings of the OTS investigation and GRANDVIEW's own inquiry, the Board of Directors has requested he resign. As a director, FEITT still has all the rights, duties and privileges of the position and could continue to harm the Association or the interests of its depositors. The Board of Directors is concerned about the continuation of FEITT's presence on the Board and is considering hiring counsel and instituting

a legal action to protect the Association from FEITT, by having the court, acting under state law, remove him as a director. This action would further increase the cost to the Association of resolving FEITT's misconduct.

9. GRANDVIEW has been the victim of pervasive insider abuse by FEITT. OTS concludes that a danger exists for further dissipation in this case. The appropriate and necessary means to prevent further injury to GRANDVIEW is through this Order of Suspension; and Temporary Cease and Desist Order. Under the relevant statutory provisions of FDIA Sections 8(b)(1), (b)(6), (c)(1), (e)(1), (e)(3), (e)(4) and (e)(6), as amended by FIRREA (12 U.S.C.A. §§ 1818(b)(1), (b)(6), (c)(1), (e)(1), (e)(3), (e)(4) and (e)(6) (West 1989)), the OTS has a statutory duty to prevent further damage and to order correction of the conditions resulting from the violations, practices, and breaches found in the NOTICE. The Order of Suspension; and Temporary Cease and Desist Order is framed to correct these conditions as well as to prevent further injury and dissipation of GRANDVIEW's assets or the interests of its depositors.

10. FEITT has, by affidavit, refused to testify in OTS' investigative proceeding by pleading the privilege against self-incrimination under the Fifth Amendment of the United States Constitution in response to a subpoena issued by OTS. When viewed in the light of the charges contained in the NOTICE, this response creates an inference that FEITT, unless ordered to cease and

desist, will otherwise dissipate assets prior to the conclusion of the proceedings to be conducted pursuant to FDIA Section 8(b), as amended by FIRREA (12 U.S.C.A. § 1818(b) (West 1989)), and therefore, place them beyond the OTS' ability to recover them for the benefit of GRANDVIEW.

11. Further, when viewed in the light of the charges contained in the NOTICE, FEITT's assertion of the privilege against self-incrimination creates an inference that FEITT, as a director, unless ordered to be suspended and prohibited from further participation in the affairs of GRANDVIEW, may cause additional loss or damage to GRANDVIEW prior to the conclusion of the proceedings to be conducted pursuant to FDIA Section 8(e), as amended by FIRREA (12 U.S.C.A. § 1818(e) (West 1989)), and therefore cause additional loss or damage to GRANDVIEW or its depositors, and potentially, its deposit insurer.

II.

ORDER OF SUSPENSION

12. THEREFORE, by the authority under FDIA Sections 8(e)(3) and 8(e)(6), as amended by FIRREA (12 U.S.C.A. §§ 1818(e)(3) and 1818(e)(6) (West 1989)), FEITT is hereby:

a) ORDERED to be suspended as a director and prohibited from further participation in any manner in the conduct of the affairs of GRANDVIEW; and

b) FURTHER ORDERED not to participate in any manner in the conduct of the affairs of any institution or agency specified in Section 8(e)(7)(A) of the FDIA, as amended by FIRREA (12 U.S.C.A. § 1818(e)(7)(A) (West 1989)); and

c) FURTHER ORDERED not to participate in any of the specified activities prohibited by section 8(e)(6) of the FDIA, as amended by FIRREA (12 U.S.C.A. § 1818(e)(6) (West 1989)).

III.

TEMPORARY CEASE AND DESIST ORDER

13. THEREFORE, by the authority under FDIA Section 8(c), as amended by FIRREA (12 U.S.C.A. § 1818(c) (West 1989)), FEITT is hereby:

a. ORDERED, no later than 12:00 noon Eastern Standard Time, on Friday, January 18, 1991, to provide security in the amount of Four Hundred and Sixty Nine Thousand Six Hundred and Thirty Nine Dollars (\$469,639), which constitutes the total of the \$428,298 and the \$41,341 described above in paragraphs 2 and 3. This sum, plus interest from November 9, 1990 to date of payment, which will be computed on the basis of the prime interest rate plus 2 percentage points as established by a national bank acceptable to the Director of OTS as of the time payment is made pursuant to a final Order, represents the amount of unjust enrichment to FEITT as a result of his personal dishonesty, fiduciary breaches, violations of law and regulation, or unsafe or unsound practices committed or engaged in by FEITT, or losses or

damage to GRANDVIEW caused by FEITT's reckless disregard of the law. FEITT shall comply with this section by one or a combination of any of the following means: (1) by paying cash to GRANDVIEW; (2) by establishing and maintaining an escrow account in the amount of \$469,639 at a financial institution and with an escrow agent approved by the Director of OTS; (3) by providing an irrevocable letter of credit or fidelity bond from a federally insured institution or an insurer approved by the Director of OTS and subject to terms and conditions as approved by the Director of OTS; or (4) by providing other security deemed adequate by the Director of OTS. FEITT's remittance of these monies, if made in cash pursuant to subparagraph 13.a. above, should be made payable to GRANDVIEW and delivered to:

Chief Executive Officer  
Grandview Savings Association  
55 Wyoming Street  
Pittsburgh, Pennsylvania 15211

b. FURTHER ORDERED to submit to OTS within fifteen (15) business days following entry of this Order the following: (1) his United States and state tax returns for 1988 and 1989, including all schedules and attachments thereto, and (2) a financial statement prepared and certified to by a nationally recognized firm of Certified Public Accountants in accordance with generally accepted accounting principles and certified by FEITT as accurately showing his assets and liabilities, and those of FEITT's immediate family, as of a date no earlier than October 1, 1990. Similar updated financial statements shall be filed with

the OTS no less frequently than quarterly, beginning on March 31, 1991. Upon written request of FEITT, the financial statements submitted pursuant to this paragraph will not be made public to persons or entities other than employees and agents of governmental authorities; and

c. FURTHER ORDERED TO CEASE-AND-DESIST from, directly or indirectly, causing the sale, transfer or encumbrance of funds or other assets of any nature whatsoever in which FEITT, or any member of his immediate family residing in FEITT's residence, have a legal or beneficial interest, whether directly or through any other person or entity, including but not limited to the transfer of assets outside of the United States. The foregoing shall not apply to assets used to pay ordinary and reasonable living expenses which have a value, either singly or through related transactions, of less than two thousand dollars (\$2,000.00). For proposed expenditures of \$2,000 or more, whether singly or through related transactions, FEITT shall provide the OTS with two full business days advance written notice. At such time as FEITT has fully complied with Paragraph 13.a., he may make application to the Director of OTS for any appropriate relief from this subparagraph; and

d. FURTHER ORDERED that by no later than 12:00 noon Eastern Standard Time, on Friday, January 18, 1991, to provide to GRANDVIEW any books, records, or documents ("DOCUMENTS") he has under his custody or control relating to the business of GRANDVIEW, including, but not limited to, any DOCUMENTS related to insurance policies or pensions purchased by GRANDVIEW; and

e. IT IS FURTHER ORDERED that the terms in paragraphs a, b, c, and d, shall be construed in their broadest and most inclusive senses.

14. If FEITT contends that compliance with this Order would cause undue hardship to him or his dependents, or causes him to be unable to hire legal counsel, FEITT shall make appropriate application to the Director of OTS supported by (a) financial statements for himself and his dependents, prepared and certified to by a nationally recognized firm of Certified Public Accountants; (b) the United States and state tax returns for the years 1988 and 1989 for each such person; (c) statements pertaining to arrangements, funds or trusts established for his benefit or for the payment of his legal or other fees or other expenses, whether directly or indirectly, along with a statement of fees or other expenses advanced but not exhausted, and (d) affidavits setting forth such other facts as thought to be pertinent.

#### IV.

#### COMPLIANCE PROCEDURES

15. Notice of the establishment of an escrow account referenced in Paragraph 13.a. above and all events required by this Order and Notice of FEITT's compliance with this Order of Suspension; and Temporary Cease and Desist Order shall be provided in writing to:

Chief Counsel  
Office of Thrift Supervision  
U.S. Department of the Treasury  
1700 G Street, N.W.  
Washington, D.C. 20552  
Fax Number: (202) 906-7606

A copy should be provided to:

Robert D. DeCuir  
Senior Deputy Director of Enforcement  
Office of Thrift Supervision  
U.S. Department of the Treasury  
1700 G Street, N.W.  
Washington, D.C. 20552  
Fax Number: (202) 906-7005

V.

CRIMINAL PENALTY

16. By virtue of the issuance of this Order of Suspension and the provisions of Section 8(j) of the FDIA, as amended by FIRREA (12 U.S.C.A. 1818(j) (West 1989)), FEITT hereby is explicitly notified that he may be subject to a fine of not more than \$1,000,000 and/or imprisonment of five years, if during the pendency of this Order of Suspension he knowingly participates, directly or indirectly, in any manner in the conduct of the affairs of GRANDVIEW, or participates in any of the specified activities prohibited by Section 8(e)(6) of the FDIA, as amended by FIRREA (12 U.S.C.A. 1818(e)(6) (West 1989)).

VI.

DEFINITIONS

17. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by the

provisions of this Order, shall, insofar as applicable, have meaning as defined in the Code of Federal Regulations, Title 12, Chapter V; or as defined in FIRREA, the FDIA, or the HOLA, and any such words or terms undefined in the foregoing shall have meanings that accord with the best custom and usage in the savings association industry.

VII.

EFFECTIVENESS

18. THIS Order of Suspension; and Temporary Cease and Desist Order shall be and is effective upon service or other notice thereof, and shall remain effective and enforceable until the completion of the administrative proceedings initiated by the NOTICE, incorporated by reference herein, or until such time as the OTS shall dismiss the charges specified in such NOTICE, or a Cease and Desist Order is issued against FEITT and an Order of Removal and Prohibition is issued against FEITT, or until stayed by an appropriate court.

Issued: January 3, 1991

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Timothy Ryan  
Director  
Office of Thrift Supervision