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

In the Matter of

THOMAS SPIEGEL

Former Director and
Chief Executive Officer

Columbia Savings and Loan
Association
Beverly Hills, California

Re: Order No. 90-1346

Dated: July 5, 1990

NOTICE OF CHARGES AND HEARING AND
NOTICE OF INTENTION TO REMOVE AND PROHIBIT,
AND TO DIRECT RESTITUTION,
AND NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY

In accordance with the provisions of Sections 8(b) and 8(e) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183, 450-464 ("FIRREA"), to be codified at 12 U.S.C. §§ 1818(b) and (e), and Sections 407(e) and (g) of the National Housing Act of 1934, as amended, 12 U.S.C. §§ 1730(e) and (g) (1982) ("NHA"), the Office of Thrift Supervision ("OTS"), acting on its own behalf and as successor in interest to the Federal Savings and Loan Insurance Corporation ("FSLIC"), being of the opinion that Thomas Spiegel ("Spiegel") willfully and with continuing disregard for Columbia Savings and Loan Association, Beverly Hills, CA ("Columbia"), has violated provisions of the Rules and Regulations Applicable to All Savings

Associations, 12 C.F.R. Part 561 et seq. (1990), has engaged in unsafe or unsound practices in violation of the FDIA and the NHA, and has committed acts, omissions and practices that constitute breaches of fiduciary duty, which resulted in losses to Columbia and personal gain, and that grounds exist to institute administrative cease and desist, including restitution, and removal and prohibition proceedings against Spiegel, hereby issues this Notice of Charges and Hearing and Notice of Intention to Removal and Prohibit.

Further, pursuant to the provisions of Section 8(i) of FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)) OTS, based upon its opinion that Spiegel knowingly committed violations of certain regulations outlined herein, engaged in unsafe or unsound practices and breached his fiduciary duty to Columbia, and has knowingly and recklessly caused a substantial loss to Columbia and derived substantial pecuniary gain and other benefits from such violations and unsafe or unsound practices, hereby issues this Notice of Assessment of a Civil Money Penalty against Spiegel.

I. JURISDICTION

1. Columbia Savings and Loan Association, Beverly Hills, California ("Columbia"), is a state chartered publicly-held stock savings association and maintains its principal place of business in Beverly Hills, California.

2. Columbia is a "savings association" as defined by Section 4) of the HOLA, as amended by Section 301 of the FIRREA (to be

codified at 12 U.S.C. § 1462(4)), and Section 3(b) of the FDIA, as amended by Section 204 of the FIRREA (to be codified at 12 U.S.C. § 1813(b)), and is an "insured depository institution" as defined by Section 3(c) of the FDIA, as amended by Section 204 of the FIRREA (to be codified at 12 U.S.C. § 1813(c)).

(a) Until August 9, 1989, the accounts of Columbia were insured by the FSLIC pursuant to Section 403(b) of the NHA, 12 U.S.C. § 1726(b), by reason of which it was an "insured institution" within the meaning of the NHA.

(b) As of August 9, 1989, pursuant to the provisions of FIRREA, the insurance of the accounts of Columbia was transferred to the Federal Deposit Insurance Corporation.

(c) Until August 9, 1989, the Federal Home Loan Bank Board ("Bank Board"), as operating head of the FSLIC, was the regulatory agency with jurisdiction over Columbia and its officials pursuant to Sections 403 and 407 of the NHA, 12 U.S.C. §§ 1726 and 1730.

(d) As of August 9, 1989, pursuant to Section 3(q) of the FDIA, as amended by Section 204 of the FIRREA (to be codified at 12 U.S.C. § 1813(q)), the OTS succeeded to the interests of the FSLIC with respect to the supervision and regulation of all savings associations, and thus became the "appropriate Federal banking agency" with jurisdiction over Columbia and persons participating in the conduct of the affairs thereof.

(e) The Director of the OTS has the authority to bring administrative cease and desist order directing restitution and removal and prohibition proceedings and assessment of civil money

penalty against Spiegel pursuant to Section 5(d)(1)(A) of the HOLA, as amended by Section 301 of the FIRREA (to be codified at 12 U.S.C. § 1464(d)(1)(A)), and Section 8 of the FDIA, as amended by the FIRREA (to be codified at 12 U.S.C. § 1818).

3. Spiegel was Chief Executive Officer and Chairman of Columbia from approximately 1977 through the end of 1989. He served on the executive, asset and liability, and loan and major loan committees of Columbia. Spiegel currently has a consulting contract with Columbia and is a director/trustee of the Columbia Savings Charitable Foundation. Spiegel is a major shareholder of Columbia who owns 32% of the preferred and 14.2% of the outstanding common stock, including options, of Columbia and who with his wife and family own 36% of the preferred and 16.4% of the common stock.

4. Spiegel is an "institution-affiliated party" of Columbia as that term is defined by Section 3(u) of the FDIA, as amended by Section 204 of the FIRREA (to be codified at 12 U.S.C. § 1813(u)).

5. As an institution-affiliated party, Spiegel is subject to the OTS's authority to maintain cease and desist and removal and prohibition proceedings, and assessment of civil money penalty.

II. FACTS

A. Motor Vehicles provided by Gregg Motors

1. From on or about October 30, 1987 through on or about May 22, 1989, Spiegel, directly or indirectly, caused Columbia to make and fund numerous loans totaling approximately \$28 million to Howard Schneider, a personal friend of Spiegel, and the owner of

Santa Barbara Star Motors d/b/a Gregg Motors, Santa Barbara, California ("Gregg Motors").

2. Schneider's Gregg Motors is a luxury car distributor located in Santa Barbara and Beverly Hills, California with 16 dealerships selling among other vehicles BMWs, Mercedes Benzes, Land Rovers, Bentleys, and Jaguars.

3. Spiegel, directly or indirectly, caused Columbia to fund the following loans to Schneider all at below market interest rates: (1) approximately \$4 million to Schneider on October 30, 1987; (2) approximately \$2.8 million to Schneider on December 23, 1987; and (3) approximately \$1 million to Schneider on March 31, 1988.

4. These loans described in the foregoing paragraph were structured so that no interest was received until the loan was modified in November 1988.

5. On or about June 14, 1988, Columbia made an additional loan to Schneider in the amount of approximately \$8 million; and, on or about August 17, 1988, Columbia made a loan to Schneider of approximately \$2 million. Both of these loans were secured by the real estate under the distributorship in Santa Barbara.

6. On or about November 22, 1988, the terms of the non-real estate loans discussed in paragraph 3 were modified ("modification") and the terms of the modification retroactively were made effective to January 1, 1988.

7. The modification provided for a new loan in the amount of approximately \$6 million with a 6 percent interest rate. The modification was secured by Gregg Motors stock.

8. Also on or about November 22, 1988, the same date as the modification, Columbia granted to Schneider a line of credit in the amount of approximately \$6 million, which subsequently was drawn down by Schneider.

9. Also on or about November 22, 1988, the same date as the modification, Columbia purchased options to acquire stock of Gregg Motors from Schneider for approximately \$3.5 million. Schneider used approximately \$1.8 million to reduce the principal of the original loan. The other \$1.7 million went to Schneider. The total amount of interest that Schneider paid on all of his loans from Columbia from origination until Schneider's default in February 1990 was approximately \$1.7 million.

10. In or about May 1989, Columbia also funded a loan to Schneider in the amount of approximately \$1.5 million, which also was collateralized by Gregg Motor stock.

11. On or about June 1989, Columbia funded additional monies to Schneider in the amount of approximately \$1.5 million when Gregg Motors had a loss of \$1 million for the six months ended June, 1989.

12. The \$1.5 million funded in or about June 1989 was used by Columbia to acquire additional options from Schneider for \$1.5 million.

13. The options acquired on or about November 22, 1988 described in paragraph 9, and in or about June 1989 described in paragraph 12, represent 50% of Gregg Motors common stock.

14. This option agreement was entered at the insistence of Spiegel and over the objections of some of Columbia's management

at a time when Spiegel knew that Columbia, as a practical matter, could not exercise the options. From at least November 23, 1988, all of Gregg Motors stock was pledged to Columbia as collateral for the loans.

15. Spiegel, directly or indirectly, caused these loans described in the foregoing paragraphs to be made and funded without adequate underwriting, because, among other things, Columbia did not take the necessary steps to discover prior to the funding of the loans that some of the assets pledged as collateral previously were encumbered at a commercial bank.

16. Despite Columbia's personal loans to Schneider, Columbia never obtained personal financial statements of Schneider.

17. Columbia funded these loans to Schneider after receiving the day before funding only a loan application that had previously been submitted to a commercial bank.

18. Columbia did not verify any of the assets on the loan application, although the application on its face reflected Schneider's ownership of blue-chip stock such as IBM, without corresponding dividend income.

19. Spiegel refused to allow a credit and background check to be conducted on Schneider, despite management's expressed concerns to Spiegel about the validity and accuracy of Schneider's application to the commercial bank.

20. To date, Columbia has charged off as a "loss" the approximately \$5 million investment in the Gregg Motor's options, has classified as a "loss" and established a specific reserve of approximately \$1.5 million for the loan, described in paragraph

10, has classified as "substandard" the approximate \$10 million, real estate loan, and has classified as "doubtful" the two approximate \$6 million loans.

21. Columbia's management recently has become aware that Schneider's loans at a commercial bank secured by the automobiles at the dealership are in a workout situation at that bank.

22. Moreover, on or about December 22, 1988, one day prior to the closing and funding of an approximately \$2.8 million loan to Schneider, described above in paragraph 3, Spiegel received from Schneider use of a new 1988 BMW 750IL automobile ("1988 BMW"), which Spiegel did not disclose to Columbia's directors, officers or management or the thrift regulators until the automobile inadvertently was discovered by management of Columbia the following year.

23. When management confronted Spiegel about the use of the 1988 BMW by Spiegel, Spiegel refused to return the 1988 BMW and, directly or indirectly caused management to include a clause in the option agreement described in paragraph 12, which was in the process of being negotiated, which supposedly retroactively was to permit "Columbia" to use this 1988 BMW from January 1, 1988, as well as to permit Columbia's future use of other automobiles.

24. During the period when loans were being negotiated, made and funded to Schneider, Spiegel used the following automobiles provided by Schneider: (1) 1989 Mercedes Benz 560 SEL; (2) 1989 Land Rover; (3) 1989 BMW 750 IL; (4) 1989 Bentley. With the exception of one senior officer's use of a Schneider automobile for a 5 month period, Spiegel was the only officer or director of

Columbia to whom Schneider provided automobiles for personal use.

25. During the period when Columbia was negotiating with and making and funding loans to Schneider in 1987 described in paragraph 3, on or about December 22, 1987, Spiegel also purchased a 1988 Mercedes Benz 190E Sedan from Schneider at a favorable discounted price.

26. Spiegel's causing Columbia to make loans that were improperly underwritten and at below market rates of interest is an unsafe and unsound act and a breach of his fiduciary duty.

27. Spiegel's receipt of anything of value, including the use of automobiles provided by Schneider in connection with loans by Columbia to Schneider and the receipt from Schneider of a favorable price on the purchase of an automobile, as described in the foregoing paragraphs, is a violation of 12 C.F.R. § 563.40, "Restrictions on Loan procurement Fees, Kickbacks and Unearned Fees," and unsafe or unsound practice, and a breach of his fiduciary duty. Moreover, Spiegel's use of such automobiles from Schneider during the periods of negotiation put Columbia in a precarious negotiating position, thereby causing Columbia to engage in an unsafe and practice by preventing Columbia from negotiating an arm's length transaction.

28. Spiegel's causing Columbia to enter into the option agreement at a time when he knew Columbia could not exercise any Gregg motors options is an unsafe and unsound practice, and a breach of Spiegel's fiduciary duty.

29. Spiegel willfully violated 12 C.F.R. § 563.40 by obtaining automobiles from a potential borrower and seller of

stock options.

30. Spiegel willfully caused Columbia to violate 12 C.F.R. § 563.170(c)(2), "Examination and Audits; Appraisals; Establishment and Maintenance of Records," by making loans to Schneider without obtaining current financial information.

31. Spiegel willfully caused Columbia to engage in unsafe or unsound practices by making loans to Schneider without verifying financial statements, obtaining a credit investigation, failing to examine into the status of the collateral and at below market interest rates.

32. Spiegel willfully caused Columbia to engage in unsafe or unsound practices by acquiring investments in stock options that, as a practical matter, could not be exercised and without properly evaluating the value of the investment.

33. As described above, Spiegel was personally dishonest, caused losses at Columbia and obtained personal gain due to violations, breaches of his fiduciary duty and unsafe or unsound practices.

34. Spiegel breached his fiduciary duty and engaged in an unsafe and unsound practice by placing his interest before the interests of Columbia when he took automobiles from Schneider while Columbia was trying to negotiate these loans to and investments in Schneider and his company.

B. Personal Travel

35. Columbia reimbursed and paid Spiegel for personal expenses incurred by Spiegel and his family while on travel in

Europe.

36. In or about July 1987, August 1988, October 1988 and July 1989 Spiegel traveled extensively in Europe. He went to London, England; Milan, Italy; Bologna, Italy; Frankfurt, West Germany; Munich, West Germany; Rome, Italy; Zurich, Switzerland and other European cities. He used the aircraft he had Columbia purchase on three of these trips and on the fourth trip in July 1987, Spiegel and his wife flew on a commercial aircraft and charged the fare to Columbia.

37. While on these trips Spiegel incurred expenses that were personal and charged these expenses to Columbia. For these four trips Spiegel incurred expenses of approximately \$68,000 which were not business related. These expenses include: (1) \$2,197 for a hotel and room service bill for four nights in the Dorchester Hotel in London, England for himself and his wife in July 1987, (2) \$742 for tips on the October 1988 trip, (3) \$1,463 for tips on the July 1989 trip and (4) \$1,664 for lodging and miscellaneous expenses in Geneva, Switzerland during the October 1988 trip.

38. Spiegel willfully caused Columbia to engage in unsafe or unsound practices and breached his fiduciary duty by causing Columbia to pay for his personal travel, which caused loss to Columbia and personal gain to Spiegel.

39. Spiegel willfully caused Columbia to violate § 563.170(c) by incorrectly recording the above personal travel expenses on Columbia's books and records.

C. Personal Guns

40. Through in or about 1989, Spiegel purchased guns, ammunition and accessories for Spiegel's personal use and caused Columbia to pay for at least \$55,000 for approximately 100 guns, ammunition and accessories including:

- a. approximately \$349.95 for a S & W 44 Magnum;
- b. approximately \$582.60 for a Sako Rifle;
- c. approximately \$4,122.00 for .45 caliber ammunition;
- d. approximately \$499.95 for a Beneilli, Super 90 shot gun; and
- e. approximately \$549.95 for a H & K P-7 Automatic Pistol.

41. The guns, ammunition and accessories were not carried as assets on the books of Columbia.

42. Of the guns purchased by Spiegel for at least \$55,000, approximately forty guns purchased at a total cost of approximately \$11,482 cannot be located at the present time.

43. Of the guns purchased by Spiegel, approximately 55 guns including 4 rifles, 18 revolvers, 24 automatic pistols and 9 shotguns remain in Spiegel's possession. To date, Spiegel has refused to return these guns to Columbia in response to management's request for him to do so.

44. An example of the types of guns in Spiegel's possession include:

- a. Uzi .9MM, Serial No. 10050;

- b. Uzi .45, Serial No. 001079;
- c. Beretta 92F, Serial No. C-634432; and
- d. Auto Pistols, Sig Sauers P226, P220 and P230, Serial Nos. U-189833, U189831, U-189826, G-1350238, and S-004706.

45. Spiegel willfully caused Columbia to engage in unsafe or unsound practices and breached his fiduciary duty by causing Columbia to pay for guns that he used personally, which caused loss to Columbia and personal gain to Spiegel.

46. Spiegel willfully caused Columbia to violate 12 C.F.R. § 563.170(c) by incorrectly recording the above expenses on Columbia's books and records.

D. Miscellaneous Personal Expenses

47. Spiegel was reimbursed by Columbia in the amount of approximately \$250,000 for expenditures that did not have any necessary business purpose. There was no business justification for the purchases listed below.

48. Following is a list of some of these items:

- a. approximately \$1,765 for silverware;
- b. approximately \$5,290 for Pratesi cashmere throws;
- c. approximately \$3,778 for Christmas gifts purchased from Martinel;
- d. approximately \$2,132 for Cashmere blankets;
- e. approximately \$2,000 for French wine tasting course;
- f. approximately \$7,840 for Michael Jackson concert

- tickets;
- g. approximately \$1,120 for Steve Winwood concert tickets;
- h. approximately \$738 for two cases of wine;
- i. approximately \$4,876 for towels;
- j. approximately \$3,314 for Cashmere throws and quilts;
- k. approximately \$2,245 for two comforters.

49. To date, Spiegel has not reimbursed Columbia for these expenses, although Columbia has requested such payment or reimbursement.

50. Spiegel's receipt of reimbursement or payment by Columbia for personal expenses described above constitutes a financial gain or benefit to Spiegel in the amount of approximately \$250,000.

51. Spiegel's receipt of reimbursement or payment by Columbia for expenses described above is an unsafe and unsound practice and constitutes a breach of Spiegel's fiduciary duty.

E. Personal Services Provided by Columbia Employees

52. From on or about January 1, 1985 through on or about December 31, 1989, Spiegel received personal services from various Columbia employees. The personal services provided to Spiegel by Columbia employees were paid by Columbia.

53. These personal services included, among other things, services provided by a chauffeur, a housekeeper, and a steward on Spiegel's personal flights on the aircraft owned by Columbia.

54. Spiegel did not reimburse Columbia fully for these

services.

55. Columbia's cost for these personal services that were not reimbursed or paid by Spiegel totaled approximately \$200,000.

56. Spiegel's use of personal services provided by Columbia employees constitutes a financial gain or other benefit to Spiegel in the amount that Columbia paid for their services.

57. Spiegel's use of personal services of Columbia employees, paid for by Columbia, and without reimbursement, is an unsafe and unsound practice and a breach of Spiegel's fiduciary duty.

58. Spiegel willfully caused Columbia to engage in unsafe or unsound practices and breached his fiduciary duty by causing Columbia to pay for personal expenses, which caused loss to Columbia and personal gain to Spiegel.

F. Condominiums

59. Spiegel, directly or indirectly, caused Columbia to purchase certain luxury condominiums in the resort areas of Jackson Hole, Wyoming, Indian Wells, California and Park City, Utah ("Columbia condominiums").

60. The Columbia condominiums were recorded on Columbia's books as assets of Columbia.

61. There is no evidence that Spiegel as Chief Executive Officer caused Columbia to perform a cost-benefit analysis or any review to determine the soundness of expenditures associated with acquisition, furnishing, decorating or maintenance of the Columbia condominiums.

62. From on or about November 1985 through December 1989 three of the Columbia condominiums referenced herein, were exclusively used or controlled by Spiegel, Spiegel's family or other persons designated by Spiegel or with Spiegel's permission and Spiegel controlled the use of one of Columbia's condominiums. Each of these condominiums was exclusively used or controlled by Spiegel.

63. The Columbia condominiums which were exclusively used or controlled by Spiegel were known to Columbia's employees as "Spiegel's condominiums".

64. Some employees believed that Spiegel actually owned the Columbia condominiums that were used or controlled by Spiegel.

65. Columbia's board of directors did not approve the exclusive use or control of these condominiums by Spiegel or other persons designated by Spiegel or with Spiegel's permission.

66. Columbia did not receive reimbursement for costs or expenses associated with the Columbia condominiums exclusively used or controlled by Spiegel.

Jackson Hole Unit #3126

67. From at least in or about August 1986 through the present time, Columbia owned or recorded on its books as an asset at an acquisition price of approximately \$350,000, a condominium located at 1800 Spirit Dance Road, Jackson, WY ("Jackson Hole Unit #3126").

68. From at least in or about August 1986 through in or about the present time, Columbia paid for decorations and furnishings of Jackson Hole Unit #3126 in the amount of

approximately \$285,000.

69. During this period, Jackson Hole Unit #3126 was decorated and furnished to specifications of Spiegel or a member of his family.

70. From in-or about August 1986, through in or about the present time, Columbia paid for the maintenance and operations of Jackson Hole Unit #3126 at a cost of approximately \$42,000.

71. From in or about August 1986 through in or about December 31, 1989, at the direction of Spiegel, Jackson Hole Unit #3126 was not maintained in Columbia's pool of condominiums available for use generally by employees, officers or directors of Columbia, other than Spiegel, his family, or other persons designated by Spiegel.

72. From in or about August 1986 through in or about December 31, 1989, Spiegel had exclusive use or control of Jackson Hole Unit #3126.

73. Spiegel's exclusive use or control of Jackson Hole Unit #3126 was not approved by Columbia's board of directors.

74. To date, Columbia has not been paid or reimbursed the amount of funds Columbia expended on the acquisition, decorations, furnishings, maintenance or operations for Spiegel's exclusive use or control of Jackson Hole Unit #3126.

Jackson Hole Unit #3116

75. From in or about August 1986 through the present time, Columbia owned or recorded on its books as an asset at an acquisition price of approximately \$350,000, a condominium located at 1800 Spirit Dance Road, Spring Creek Ranch, Jackson, WY.

("Jackson Hole Unit #3116").

76. During this period, Columbia paid for the decorations and furnishings of Jackson Hole Unit #3116 at a cost of approximately \$280,000.

77. Jackson Hole Unit #3116 was decorated and furnished to the specifications of Spiegel or a member of his family.

78. From in or about August 1986 through in or about June 1988, Columbia paid for the maintenance and operations of Jackson Hole Unit #3116 at a cost to Columbia of approximately \$17,700.

79. From in or about August 1986 through in or about June 1988 at the direction of Spiegel, Jackson Hole Unit #3116 was not maintained in Columbia's pool of condominiums available for use generally by employees, officers or directors of Columbia, other than Spiegel, his family or other persons designated by Spiegel.

80. From in or about August 1986 through in or about June 1988, Spiegel controlled the use of Jackson Hole Unit #3116.

81. Spiegel's control and use of the Jackson Hole Unit #3116 was not approved by Columbia's board of directors.

82. From in or about August 1986, until in or about June 1988, in accordance with directions given by Spiegel, Jackson Hole Unit #3116 was used almost exclusively by Michael or Lowell Milken, who were not employees, officers or directors of Columbia, or other individuals associated with Drexel Burnham Lambert, Inc. ("Drexel").

83. Spiegel's control of the use of Jackson Hole Unit #3116 or exclusive use of Jackson Hole Unit #3116 by Michael or Lowell Milken or Drexel, as directed by Spiegel, was not approved by the

Columbia board of directors.

84. To date, neither Spiegel, Michael or Lowell Milken or Drexel or any other person or entity, has paid or reimbursed Columbia the amount of funds expended on the acquisition, decorations, furnishings, maintenance or operations for Spiegel's exclusive use or control of the condominium.

Vintage Club Condominium

85. From in or about March 1987 through the present time, Columbia owned or recorded on its books as an asset a condominium located at 75-137 Kavenish Way, The Vintage Club, Indian Wells, California, known as the Vintage Club Condominiums ("Vintage Club, Condominium"). Columbia recorded the acquisition price of the Vintage Club Condominium as approximately \$725,000.

86. During this period, Columbia paid for furnishings and decorations of the Vintage Club Condominium at a cost to Columbia of approximately \$366,000.

87. The Vintage Club Condominium was decorated and furnished to the specifications of Spiegel or a member of his family.

88. From in or about March 1987 through in or about October 1988, Columbia paid for the maintenance and operations of the Vintage Club Condominium at a cost of approximately \$21,000.

89. From in or about March 1987 until in or about October 1988, in accordance with directions of Spiegel, the Vintage Club Condominium was not in Columbia's pool of condominiums available for use generally by employees, officers or directors of Columbia other than Spiegel, his family or other persons designated or authorized by Spiegel.

90. From in or about March 1987 until in or about October 1988, Spiegel had exclusive use or control of the Vintage Club Condominium.

91. Spiegel's exclusive use or control of the Vintage Club Condominium was not approved by Columbia's board of directors.

92. To date, Columbia has not been paid or reimbursed the amount of funds expended on the acquisition, decoration, furnishings, maintenance or operations of Vintage Club Condominium or for Spiegel's exclusive use or control of the condominium.

Deer Valley Unit #24

93. During in or about April 1984 through in or about February 1990, Columbia owned or recorded on its books as an asset at an acquisition price of approximately \$450,000, a condominium located at 1065 Pinnacle Drive, Deer Valley, Park City, Utah ("Deer Valley Unit #24").

94. Columbia paid for furnishing and decorations of Deer Valley Unit #24 at a cost of approximately \$225,000 to Columbia.

95. Deer Valley Unit #24 was furnished and decorated to specifications of Spiegel or a member of his family.

96. During in or about November 1985 through in or about November 1988, Columbia paid for the maintenance and operations of Deer Valley Unit #24 at a cost to Columbia of approximately \$29,376.

97. During in or about November 1985 through in or about November 1988, Deer Valley Unit #24 was not maintained in Columbia's pool of condominiums available for use generally by employees, officers or directors of Columbia, other than Spiegel,

his family, or other persons designated by Spiegel.

98. During this period, Spiegel had exclusive use or control of Deer Valley Unit #24.

99. Spiegel's exclusive use or control of Deer Valley Unit #24 was not approved by Columbia's board of directors.

100. To date, Columbia has not been paid or reimbursed the amount of funds expended on the decorations, furnishings, maintenance or operations for Spiegel's exclusive use or control of Deer Valley Unit #24.

101. On or about February 1990, Columbia sold Deer Valley Unit #24 at a cost of approximately \$335,000, which constitutes a loss of approximately \$357,343 to Columbia on the resale of the Deer Valley Unit #24.

102. Spiegel's exclusive willful use or control of the condominiums described in the foregoing paragraphs and Spiegel's control over the use of Jackson Hole Unit #3116 constitutes a financial gain and other benefit to Spiegel.

103. Spiegel's exclusive willful use or control of the Columbia condominiums described in the foregoing paragraphs and Spiegel's control of the use of the Jackson Hole Unit #3116, caused a financial loss to Columbia in the total amount of the cost to the Columbia condominiums, including any acquisition price less the resale amount of the Columbia condominiums, expenditures for furnishing, decorating, maintaining, and operating the condominiums.

104. Spiegel's exclusive willful use of or control of the Columbia condominiums described in the foregoing paragraphs and

Spiegel's control of the use of Jackson Hole Unit #3116 without reimbursement or board of director approval is an unsafe and unsound practice and constitutes a breach of Spiegel's fiduciary duty.

G. Columbia Aircraft

105. On or about October 1985, Spiegel willfully caused Columbia to purchase a new British Hawker jet aircraft for approximately \$5.6 million.

106. Neither Spiegel nor Columbia obtained a cost benefit analysis or conducted any review to determine whether the purchase of a seven passenger jet aircraft was prudent or necessary to conduct the business of Columbia.

107. On or about December 1986, Spiegel willfully caused Columbia through its wholly owned subsidiary, Liberty Service Corporation ("Liberty"), to enter into a partnership called Airplane Hangar Partnership with Chieftain Investment Capital Corporation, a corporation established by Drexel Burnham Lambert and/or Michael Milken, ("Airplane Hangar Partnership" or "Partnership").

108. The purpose of Airplane Hangar Partnership was to purchase and/or lease aircraft for the partnership and to build and furnish an aircraft hangar at a cost of 50 percent of the expenditures to each of the two partners.

109. From the inception of Airplane Hangar Partnership until its dissolution in February 1990, Airplane Hangar Partnership expended at least: (a) approximately \$2.5 million for a lavish

airplane hangar and furnishings, including approximately \$170,000 on hangar equipment, \$294,000 in office furniture and equipment, and approximately \$50,000 in computer equipment, (b) approximately \$16.8 million for a Gulfstream IV/CS Aircraft, a thirteen seat aircraft, including an additional amount of approximately \$63,000 for furnishings and equipment, and (c) approximately \$18.6 million for a Gulfstream IV/ML Aircraft.

110. Spiegel willfully caused Columbia to expend funds for the Airplane Hangar Partnership described above without performing a cost benefit analysis or any review to determine whether such expenditures were prudent or necessary to conduct the business of Columbia.

111. Although the minutes of Columbia's board of directors meetings reflect that Spiegel informed the board that he was going to enter into some partnership to acquire airplanes, the minutes reflect that Spiegel did not inform the board of the costs associated with building or operating an airplane hangar, or the number of aircraft involved or the costs of purchasing, leasing or operating the individual aircraft.

112. During the existence of the Airplane Hangar Partnership, neither Spiegel nor Columbia conducted an internal audit, and Columbia did not obtain an audit, of the Partnership from its outside auditors.

113. There were net operating losses for the Airplane Hangar Partnership of approximately \$12.9 million: approximately \$2.7 million for the year ended December 31, 1987, approximately \$5.8 million for the year ended 1988, and approximately \$4.3 for the

nine month period ended September 30, 1989. Columbia was required to pay 50 percent or approximately \$6.45 million.

114. From on or about January 1, 1986 through on or about December 31, 1989, Spiegel used the aircraft owned or leased by Columbia, including the aircraft owned and leased by the Airplane Hangar Partnership ("Corporate Aircraft"), on both domestic and foreign flights for personal travel or travel that was unnecessary for the business conducted for Columbia.

115. During this period, members of Spiegel's family or other persons designated by him used the corporate aircraft for personal travel or travel unrelated or unnecessary to the business of Columbia. For example, when Spiegel's wife accompanied Spiegel on the corporate aircraft, she was designated as a business traveler on the flight manifests, although she never was employed by Columbia. Some of these flights included Spiegel and his family's travel to Milan, Italy; Paris, France; London, England; and Strasburg, Germany.

116. Columbia paid for expenses associated with use of the corporate aircraft for domestic and foreign personal travel by Spiegel, his family, and other persons designated by Spiegel.

117. From on or about January 1, 1986 through on or about December 31, 1989, Columbia paid approximately \$850,000 for use of corporate aircraft for the personal travel for Spiegel, his immediate family and other persons which Spiegel permitted to use the Corporate Aircraft.

118. Spiegel did not pay or reimburse Columbia for the use of the corporate aircraft for this domestic or foreign personal

travel or travel unnecessary to conduct Columbia's business for himself, members of his family or other persons.

119. From on or about January 1, 1986 through on or about December 31, 1989, Spiegel had exclusive use and control of the aircraft and he was the only officer or director of Columbia to use the Corporate Aircraft except for other officers or directors who accompanied Spiegel on a trip, except for several trips by senior officers.

120. Spiegel's causing Columbia to incur these expenditures related to the purchase or lease of the British Hawker jet and the other aircraft, and incurring the expenses associated with the Airplane Hangar Partnership, without performing or causing to be performed a review to determine the prudence and the necessity of such expenditures, without a viable business plan and without causing an audit to be conducted of the Partnership, constitutes willfully engaging in unsafe and unsound practices and willfully breaching his fiduciary duty.

121. Spiegel's causing Columbia to purchase or lease an aircraft and to enter into the Airplane Hangar Partnership caused Columbia to incur a substantial loss and for Spiegel to obtain personal benefit.

122. Spiegel's designation of his wife as a business traveler evidences personal dishonesty.

123. Spiegel's use of corporate aircraft for personal travel on travel unrelated or unnecessary to conduct Columbia business described in the foregoing paragraphs constitutes a financial gain and other benefit to Spiegel and evidences personal dishonesty.

H. Compensation

124. Spiegel caused the board of directors of Columbia to award him a \$3 million bonus for 1988 at a time when Columbia's financial performance did not warrant such a bonus.

125. In or about July 7, 1989, the Supervisory Agent of the Bank Board's Eleventh District informed the Columbia board of directors that Spiegel's receipt of the bonus was excessive compensation.

126. In the letter of July 7, 1989 the Supervisory Agent sought the board's rationale for such a bonus in light of Columbia's compensation plan, the Bank Board's standards for reasonableness of compensation in the Insurance Regulations at 12 C.F.R. § 563.161(b), "Management and Financial Policies," and memorandum R42.

127. Subsequent to the issuance of the Supervisory Agent's letter of July 7, 1989, Spiegel returned \$600,000, retaining approximately \$2.4 million of the bonus.

128. Then, on or about September 25, 1989, in response to a letter from Columbia's board dated on or about August 15, 1989, the Supervisory Agent informed Columbia's board by letter that no bonus should have been paid until Columbia's investments in junk bonds were sold or the bonds were paid off and their true economic value determined, in view of the high credit risks associated with these investments.

129. The Columbia board was further informed by the Supervisory Agent that no bonus should have been paid until an

independent review of Columbia's investment portfolio was performed.

130. Many of the securities in Columbia's investment portfolio subsequently were found to have values significantly below the amounts at which they were carried on Columbia's books, causing Columbia's auditor to increase the credit reserves for Columbia's investment securities by over \$400 million in 1989.

131. In or about September 1989, Columbia recorded a net income loss of approximately \$240 million.

132. To date, Spiegel has not returned approximately \$2.4 million of the bonus.

133. Spiegel's receipt in the amount of the approximately \$2.4 million bonus as described above constitutes willful engagement in an unsafe and unsound practice, and a willful breach of Spiegel's fiduciary duty, which resulted in loss to Columbia and gain to Spiegel.

I. Columbia Charitable Foundation

134. On or about 1985, Spiegel caused Columbia to fund a charitable foundation, entitled Columbia Savings Charitable Foundation ("Charitable Foundation").

135. Since its inception through the present time, Spiegel has been a director/trustee of the Charitable Foundation along with Spiegel's father, Abraham Spiegel, who has been president of the Charitable Foundation.

136. At the present time, Spiegel and Abraham Spiegel, are two of the three trustees of the Charitable Foundation.

137. Since its inception through the present time, Spiegel or Abraham Spiegel directed the investments and contributions made by the Charitable Foundation.

138. Since its inception, Spiegel has caused Columbia to contribute approximately \$16,845,000 to the Charitable Foundation.

139. From in or about January 1986 until in or about August 1989, Spiegel invested on behalf of the Charitable Foundation approximately \$13,500,000 of the assets of the Charitable Foundation in junk bonds, and approximately \$6,700,000 in other corporate securities, including the stock of Columbia and other savings associations, such as CentTrust Savings and Loan Association and Gibraltar Savings and Loan Association.

140. Some of these securities invested in by the Charitable Foundation have defaulted.

141. As of on or about December 31, 1989, the Charitable Foundation established a reserve for losses on these defaulted securities of approximately \$901,000.

142. There exists an additional loss to the Charitable Foundation of at least approximately \$7.6 million for which no reserves have been established.

143. From the establishment of the Charitable Foundation in 1986 through in or about December 1989, the Charitable Foundation used Columbia premises and personnel without Columbia's approval. No reimbursement was made to Columbia for the use of its premises and personnel until after inquiries were made by the Office of Thrift Supervision. Thereafter, on or about May 1990 the Charitable Foundation paid Columbia approximately \$30,000 for use

of Columbia's personnel and premises.

144. Since February 1990, the remaining cash assets of the Charitable Foundation were transferred out of Columbia and the books, records and responsibility for operations of the Charitable Foundation were transferred from Columbia to Spiegel Enterprises, an organization that manages some assets of Spiegel or the Spiegel family.

145. Spiegel never provided the Columbia board with adequate justification for Columbia to establish a multi-million foundation such as the Charitable Foundation.

146. On or about June 30, 1988, Spiegel caused Columbia to contribute to the Charitable Foundation approximately \$1.845 million more than the amount approved by the board. To date Spiegel has not caused the Charitable Foundation to return to Columbia the approximate \$1.845 million that did not receive board approval.

147. Spiegel willfully allowed Columbia to establish and fund a charitable foundation as described above, and thus engaged in an unsafe and unsound practice and breach of fiduciary duty.

148. Spiegel's use of Columbia premises and personnel for Foundation related activities is a violation of 12 C.F.R. § 563.33(b), "directors, officers, and employees," and an unsafe and unsound practice and a breach of Spiegel's fiduciary duty.

III. GROUNDS FOR ISSUANCE OF ORDERS TO CEASE
AND DESIST AND OF REMOVAL AND PROHIBITION

Based upon the foregoing facts, OTS states the the following ground exist for the issuance of orders to cease and desist

including restitution and of removal and prohibition against Thomas Spiegel:

1. Spiegel has engaged in unsafe and unsound practices in conducting the business of Columbia; and/or

2. Spiegel has committed or engaged in acts, omissions or practices which constitute breaches of his fiduciary duties as a director and officer or institution-affiliated party of Columbia; and/or

3. Spiegel has violated a law, rule or regulation; and

a. Columbia has suffered and probably will suffer substantial financial loss or other damage; and/or

b. the interests of Columbia's depositors have been or could be prejudiced; and/or

c. Spiegel has received financial gain or other benefit by reason of such violations, practices and breaches of fiduciary duties; and

4. Such practices or breaches of fiduciary duties:

a. involve personal dishonesty on the part of Spiegel; or

b. demonstrate Spiegel's willful or continuing disregard for the safety or soundness of Columbia.

IV. NOTICE OF HEARING FOR CEASE AND DESIST
AND REMOVAL AND PROHIBITION

Notice is hereby given that pursuant to Sections 407(e) and (g) of the NHA, 12 U.S.C. § 1730(e) and (g), and Sections 8(b) and (e) of the FDIA, as amended by FIRREA, to be codified at 18 U.S.C. § 1818(b) and (e), an administrative hearing will be held to

determine whether orders to cease and desist and removal and prohibition should be issued against Spiegel. The hearing also will include a determination as to whether Spiegel shall be required to take affirmative action to correct the conditions resulting from the practices alleged herein, including restitution, reimbursement, indemnification, guarantees against loss, or such other action as is determined to be appropriate. The hearing will be held within the Federal judicial district for the State of California, and will commence on or before September 4, 1990 the exact time of day and location to be announced at a later time. The hearing will be conducted by an Administrative Law Judge in accordance with the adjudicatory provisions of the Administrative Procedure Act, 5 U.S.C. §§ 554-557 (1982), and the Rules of Practice and Procedure of the Office of Thrift Supervision, 12 C.F.R. Part 509 et seq. (1990) ("Rules").

Spiegel is hereby directed to file an Answer to this Notice within twenty (20) days from the date of service. The requirements of the Answer, as well as the consequences of failure to file an Answer, are set forth in the Rules.

V. GROUNDS FOR ASSESSMENT OF CIVIL MONEY PENALTY

Based upon the foregoing facts, OTS states that Spiegel knowingly:

a. violated the Rules and Regulations Applicable to all Savings Associations at 12 C.F.R. §§ 563.33(b), 563.40, 563.161(b) and 563.170(c);

b. engaged in unsafe and unsound practices in conducting

the affairs of Columbia; and/or

c. breached his fiduciary duty to Columbia; and

d. recklessly caused a substantial loss to Columbia and received a substantial pecuniary gain and other benefit by reason of such violations, unsafe and unsound practices or breaches of his fiduciary duty.

VI. NOTICE OF ASSESSMENT

NOW THEREFORE, the OTS hereby assesses a civil money penalty against Spiegel for \$5 million pursuant to the provisions of Section 8(i) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)).

This assessment is issued on the basis of the above-mentioned violations taking into account the size of financial resources and good faith of Spiegel, the gravity of the violations, and the history of previous violations, as required by Section 8(i) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)(2)(G)).

Thomas Spiegel's remittance of this penalty should be payable to the Treasurer of the United States and delivered to:

Director of Enforcement
Office of Thrift Supervision
U.S. Treasury Department
1700 G Street, N.W.
Washington, D.C. 20552

Pursuant to Section 8(i) of the FDIA, as amended by FIRREA, to be codified at 12 U.S.C. § 1818(i)(2)(H), Thomas Spiegel is hereby afforded the opportunity for a hearing before the OTS

