

Honfed in squabble with former exec

By Ken Andrade

A senior vice president that Honolulu Federal Savings & Loan Association hired in early 1985 to oversee its real estate portfolio last week filed suit against the thrift, alleging that it misled him, stripped him of responsibility, and violated its own rules in doing so.

David H. Lacy said in circuit court filings that Kenneth S. Fujinaka, now Honfed's president and chief executive officer, had given him an excessively rosy view of Honfed's financial condition when recruiting him from his previous job at Crocker National Bank in San Francisco.

Lacy claimed that Fujinaka knew when recruiting him that the value of Honfed's real estate owned — or REOs — had been "grossly overstated in order to provide Honfed with an artificially high net worth," but did not tell him.

Lacy argued that "to sell off the REOs at realistic market prices required significant further writedown, which would have (and eventually did) render Honfed insolvent."

This assessment was subsequently confirmed, Lacy contended, by the Federal Home Loan Bank Board's decision last year to allow an investor group led by William E. Simon to buy the thrift.

Lacy said he nonetheless took over handling the REOs as head of Honfed's newly established risk management division, earning an 8 percent raise on his \$80,000 starting salary by February 1986.

However, said Lacy, his working relationship with Fujinaka began to deteriorate two months later, after a credit review officer Lacy had hired allegedly discovered an apparent conflict of interest involving Fujinaka and a loan he had authorized.

The apparent discrepancy was sufficient to draw an investigator from the Federal Home Loan Bank to Hawaii to interview Fujinaka, Lacy, and the credit officer, Lacy said.

Lacy added that after telling Fujinaka of the problem, Fujinaka began reducing his and the credit officer's access to information they needed to do their jobs, and eventually the credit officer resigned.

Lacy said that he also was denied authority over the troubled loan to the partnership developing the Prince Kuhio Plaza shopping center in Hilo and other troubled loans, despite having been told when he was hired that he would be in charge of all troubled loans.

Lacy said that when he later retained an attorney to try to "reach a negotiated settlement of his claims," Fujinaka relieved him of all duties, ordered him to help others take over his job, banished him from Honfed's upper-floor offices to a "small, windowless office on the fourth floor," and denied him access to all files without permission.

Lacy is asking the court for damages in an amount to be shown at trial.

Fujinaka last week declined to comment on the specifics of Lacy's complaint, except to say that "basically, to me, this is a disgruntled-employee case. Our attorneys feel that we will prevail, and we are taking steps to prevail."

Fujinaka added that Lacy resigned effective last week.

Lacy's attorney, Jerry M. Hiatt, confirmed that "Lacy is no longer there, but he didn't resign."

Hiatt said Lacy now is looking for other work. However, he added, "the lending industry has been collapsing in upon itself through mergers and acquisitions, and what he'll be able to find now, I don't know. A dispute like this never helps."