

HERBERT M. SANDLER

May 5, 2010

Mr. Jeffrey Fager  
Executive Producer  
*60 Minutes*  
524 West 57th St.  
New York, NY 10019

Dear Mr. Fager:

I recognize that you may have been advised to respond as cautiously as you did in our conversation in Berkeley. Marion and I are not interested in a protracted battle, nor do we feel compelled to achieve a legal remedy. We are hoping to put this whole episode behind us and spend the rest of our days on meaningful philanthropic projects that can have a positive impact on people's lives, such as ProPublica, the ACLU, Human Rights Watch, the Center for Responsible Lending and our initiatives on neglected diseases, such as asthma and third world parasitic diseases.

As our support of ProPublica underscores, we believe the media plays a critical role in a functioning democracy and that First Amendment protections are critical. We also understand that journalism is a difficult profession requiring challenging judgments and we applaud genuine whistleblowers and the journalists who give air time to their stories. And we also know that news organizations are loathe to publicly acknowledge errors, whether out of habit, legal caution, internal politics, protection of egos or otherwise.

But an error was made here. *60 Minutes'* principal source, Paul Bishop, was never the whistleblower he claimed to be, or that *60 Minutes* envisioned him to be, and his comments were false and inflammatory – e.g., Golden West was not breaking the law, we were not an Enron, we did not begin to emphasize quantity over quality, we did not make loans to anyone who could “fog a mirror,” we did not engage in predatory lending or fraud. As you know, the independent arbitrator's decision against Mr. Bishop in March 2010 (*see attached*) totally vindicated our position and confirmed our warnings to *60 Minutes* about Mr. Bishop before the show aired. Our understanding is that Mr. Bishop had shopped his tale to several media outlets before *60 Minutes*, to no avail, and he had also approached the U.S. Attorney's office with his allegations. In other words, what we had was an orchestrated attempt by Mr. Bishop to harm Golden West, at the very time that he was engaged in a meritless lawsuit against the company. Unfortunately, *60 Minutes* erroneously got caught up in his scheme.

Sadly, the error hurt a great number of good people at Golden West and damaged the reputation of an honest company that Marion and I spent virtually our entire working lives building. As I mentioned to you in person, the broadcast has been personally devastating to Marion and me. We have held ourselves to the highest standards of personal integrity and ethics throughout our lives and ran the company to the same effect. Golden West management and employees remain rightfully proud of where they worked, and how the company operated, and we have been told

countless times by employees that they had never worked at a company that lived up to such high standards. We worked hard to treat customers fairly, to train personnel well, to be transparent in our disclosures, to be fully compliant with legal and regulatory requirements, to advocate for strong and sound regulation and fair lending practices, and to minimize risk while running a profitable operation.

Were we perfect? Of course not. We made mistakes in the business, as any business does. Despite our concerns about the terrible lending practices of others, and our urging regulators and others to adopt stronger regulations and guidelines to curb those practices, we did not foresee the extraordinary impact those bad practices would have on the economy and housing prices. We never ran a simulation of a 50% or greater decline in housing prices, which is what actually transpired in some of the company's lending areas. Were there individuals at the company who figured out ways to beat the system, despite the company's trainings, underwriting policies, and systems designed to catch violations of policy? I suspect there might have been, just as those individuals exist in every organization. But I can guarantee that any such people at Golden West knew they were acting contrary to company policy and knew they would be terminated if their improper activities were discovered. Mr. Bishop admitted as much in your segment, when he stated that some salespeople manipulated facts on some loan documents to get past the company's underwriters. In other words, the underwriters continued to do their traditional evaluations and the only way to get certain loans through was to try to deceive the underwriters charged with maintaining the company's underwriting policies. If the company was really pushing volume over quality, as Mr. Bishop alleged, all we had to do was lower underwriting standards, as mortgage bankers who securitized and sold growing volumes of loans did. But instead we continued to keep our loans on our books and did not lower underwriting standards or change our focus from quality to volume, as hundreds of Golden West employees can testify, supported by contemporaneous memoranda, corporate objectives and meeting notes.

You can imagine, then, in view of Mr. Bishop's malicious scheming and the company's 40 plus year history of operating with ethics and integrity, why we have been driven to set the record straight.

So what can or should be done here? Or, put more broadly, what is the media's obligation when an error is made that harms innocent people or institutions?

I hope we can reach an equitable and simple resolution. At the end of the day, all we seek is to be treated fairly, in the same way you would wish to be treated if you, a member of your family, or your company were accused of illegalities on one of the country's preeminent national television programs, based on the false allegations of an unreliable source. We both know that you could not have, and would not have, gone ahead with the broadcast had the arbitration result come down before the show aired. So, now that an independent judge has confirmed that Mr. Bishop was not a credible source (consistent with our warnings to *60 Minutes* before the broadcast), we think a reasonable and fair-minded person would believe that *60 Minutes* has an obligation to set the record straight.

All we are asking of you is for people who might access the *60 Minutes* story on your website to see a simple and visible statement on the site and at the beginning of the video, along the following lines:

*On February 15, 2009, we aired a segment entitled "World of Trouble." Paul Bishop, our principal source, was a former loan salesman at World Savings Bank who claimed he had been fired for blowing the whistle about the company's lending practices. On March 18, 2010, an independent arbitrator, after a full examination of Mr. Bishop's employment records and sworn depositions and testimony from a variety of witnesses, decided that there was no basis for Mr. Bishop's claim that he was a whistleblower and awarded Mr. Bishop nothing. [A link to the arbitration result would be inserted here.] The arbitrator noted that Mr. Bishop "could come up with no specifics" when asked to point to or name any loan or employee at World Savings to be checked for illegalities. If 60 Minutes had known then what we know now, we would not have aired the segment as we did. We regret any harm that may have resulted.*

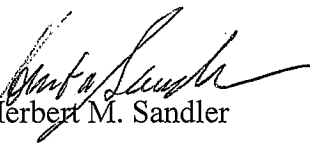
If you have concerns about litigation, we would be happy to provide a legal release.

Mr. Fager, we do not pretend to understand your corporate culture or the impact any such resolution would have on the writers, producers, etc... As devastating as the incident has been to us and to Golden West and its employees, we are not interested in hurting *60 Minutes* or the careers of any individuals who work there. And we are not seeking a public airing that causes undue embarrassment to a producer or correspondent.

The proposed approach does not go all the way to un-doing the damage done, but it would be a step in the right direction.

Thank you for your consideration. As this has been going on for a while, and has obviously been weighing heavily on us, please get back to me at your earliest convenience. I am willing to travel to New York to meet and discuss this further, if you wish.

Sincerely,

  
Herbert M. Sandler

AMERICAN ARBITRATION ASSOCIATION  
EMPLOYMENT ARBITRATION TRIBUNAL

PAUL BISHOP,	)	Case No. 74 160 00546 07 JOG3
	)	
Claimant,	)	
	)	FINAL AWARD
vs.	)	
	)	
WORLD SAVINGS INC., and	)	
GOLDEN WEST FINANCIAL	)	
CORPORATION,	)	
Respondents.	)	
_____	)	

I, THE UNDERSIGNED ARBITRATOR, HAVING BEEN DESIGNATED IN ACCORDANCE WITH THE Arbitration Agreement entered into between the above-named parties, and having been duly sworn, and having duly heard and reviewed the proofs and allegations of the Parties, in accordance with the Rules of the American Arbitration Association hereby issue this FINAL AWARD, as follows:

In 2002 Paul Bishop, who had been in securities sales for many years and had been extremely successful during a great number of those years, was in need of a source of income. He spoke with Lyn Olsen and Tom Marckwardt, two golfing buddies, who were top executives of World Savings. Knowing of his history in sales, they suggested he apply for employment at World and contacted Michelle Gadker on his behalf. Bishop applied on October 25, 2002 and was hired November 2, 2002. He was hired as a 100% commission employee.

From the start, Bishop became an extremely difficult employee to deal with. He refused to go to meetings because he was on 100% commission and, therefore, could

spend his time as he wished. He refused to go to seminars because he knew all the answers and management was stupid, did not know what it was doing and, in addition, crazy. He was continuously rude to his co-workers and bullying and condescending to his support staff.

When his first six-month performance review was presented to him he stunned his supervisor, Maria Guadamuz, by ripping it up in front of her.

Complaints continued to come in and his conduct was again reflected in subsequent performance reviews. However, Bishop ignored all reviews, suggestions and critiques because he did not believe he needed to improve any aspect of his performance and his treatment of other employees was excellent and did not need improvement.

He did offer to apologize if he offended anyone and did so once, but offered no apology on numerous other occasions.

Bishop's position is that he was a "whistle blower" who alerted management on numerous occasions that World was cheating on loan applications, making bad loans, falsifying documents and lying. He claimed that all of these warnings were ignored until he threatened to go to Wachovia (which was taking over World) and tell Wachovia all about his claims. He was then fired in retaliation for his threat to go to Wachovia. In his support he called Lyn Olsen, his golfing buddy, who left World and was still upset over the owners not calling to thank him for his work when he left. Olsen claimed World's policies changed for the worse after he left and the company went downhill from that point. However, the company's records revealed that the contrary was true. While default ratios and bad loans were excellent under Olsen, they actually improved after he left.

Bishop's major contention in this matter is that he never did anything wrong while at World and that the reason for his termination was World's retaliation against him for his threat to blow the lid off World's improper and illegal lending practices.

Initially it must be pointed out that Bishop complained about everything while he was at World. If he did not reach goals set by management the goals were set too high and were unrealistic, set by managers who were incompetent, dumb and/or just crazy (others met the goals) or he did not reach them because he was not provided with support (or the support people he was provided were dumb and/or incompetent). At one point, he was authorized access to World's Support Center in San Leonardo and, while he was thrilled to be able to use the Center, his sales records did not improve.

The scenario set forth in this Arbitration is usually presented in a slightly different manner. In the usual situation management looks at an employee and agrees that the individual is obnoxious to everyone, rude and condescending to other employees, BUT he is our top producer (rainmaker, etc.) and the firm, company would go out of business or lose substantial income if he is let go.

In this case, however, Bishop was neither top producer nor rainmaker. In fact, despite offering a resume with claims of incomes of over \$700,000 in prior years, Bishop rarely met company-set goals...and, on many occasions, did not even come close. However, in spite of this record (which he blamed on lack of support or incompetent and dumb support) World did everything it could to help him. He did not meet the criteria for having a dedicated assistant but he was given one anyway.

When the H.L.E. (Home Loan Experts) program was created Bishop (already "knowing" that the program would fail) actively pursued it, feeling he was totally

qualified and deserving of more opportunities for large income. By all of World's standards he was not qualified. However, he was so anxious to do it that the man in charge of selection relented and let him in.

Bishop was so appreciative that he greeted his new boss for the fledgling program with the following greeting: "I hope you're not as useless as the other managers." In spite of the "warmth" of this introduction, Maureen Bagdadian tried to help him and, seeing that he was "struggling" (not producing up to World's standards), gave him her assistant as his "dedicated assistant." The results did not change.

Claimant goes from a position of asserting that he never used inappropriate language either in the presence of fellow employees or directed at them to describing a picture of a raucous office where people do anything for a sale and swear consistently. However, this misses the point. Bishop yelled and screamed at Kim Delgado for calling Bishop's "client" and concluded the conversation by calling him an "asshole." The truth of the matter is that Delgado was simply doing his job of trying to keep a World client and none of this would have occurred in the first place if Bishop had done what he was supposed to do, namely simply putting his name in the space provided on the World form that would have alerted other employees that he was the contact person for that client. Thus, it was Bishop's own action (or inaction) that caused the entire situation which culminated in his receiving, deservedly, the One Time Warning.

Bishop's termination again was not over the fact that he may have used an inappropriate word. It was how he conducted himself in the entire episode. Once again, as he did so often, he got hot and...someone was going to pay for it...so he immediately called John Young, whom he had never met and proceeded to vent his spleen at Young,

who just happened to be a Senior Vice President, accusing him (in what Bishop described as a "cordial" conversation) of being on drugs and assuring Young that, as soon as Wachovia took over, he (Young) was out the door. Bishop also, cordially, described World as a "goat rodeo."

When Young reported the conversation Michelle Gadker Aderson, Marie Bagdadian, Sue Clark and Sue Lennox conferred and decided that this was one "cordial" conversation too many and terminated Bishop. Bishop would not clear his calendar to meet with them so they had to inform him over the phone of his termination. He was terminated on June 1, 2006 because he had already received a One Time Warning for similar conduct and this was a gross repeat of that conduct.

Bishop testified that he was stunned because he had never done anything wrong while employed at World and no one at World ever told him (up to and throughout this Hearing) why he was terminated. This position, while wrong, is totally understandable because, during the entire time he worked at World, Bishop never listened to any of his managers (or any manager) because they were all incompetent, stupid, crazy...all of the above.

When asked at the Hearing if he could point to or name one loan or employee to be checked for the illegalities Bishop could come up with no specifics. He could not name any violations but had this "gut feeling" that all these violations were occurring.

Rather than ignoring Bishop, World lived up to its "open door" policy and Bishop was contacted by Tim Wilson, Senior Vice President, who listened and discussed all of Bishop's concerns. As he did at the Hearing, Bishop made many charges but could not come up with a single incident or person to cite. In spite of this Wilson had audits done



in all of the areas Bishop listed and no irregularities came to light. Also, in keeping with World's "open door policy," Bishop suffered no adverse repercussions from this exchange.

The One Time Warning was not an opening notice to an employee but, rather, a notice to the employee that he or she had passed the point of no return by their actions but they were being given one last chance to shape up. Others had been given such a letter, realized they were in trouble, and corrected the problem. In Bishop's case, since he knew he had never done anything wrong, he simply ignored it, as he did with all memos from stupid, incompetent management.

It is clear from the record that Bishop never thought of the One Time Warning when he lashed out (cordially) at Young. However, he should have.

Clearly he had notice of what would happen if he crossed the line again (it does not matter at this point that he ignored it, its contents and its significance.):

Bishop's claim that he was fired because he was a "whistle blower" or was threatening to be one fails for lack of substantiation.

He was fired for (one more time) blowing up totally inappropriately at a Vice President for no valid reason.


Claimant has failed to prove his case. Claimant is awarded nothing. Respondent is awarded Judgment and determined to be the Presiding Party.

The administrative filing and case service fees of the American Arbitration Association, totaling \$1,050.00 shall be borne as incurred.

The other administrative fees of the American Arbitration Association, totaling \$2,400.00, shall be borne as incurred.

The fees and expenses of the Arbitrator in the sum of \$35,630.60 are to be borne as incurred.

This Final Award is in full settlement of all claims and counterclaims submitted to this Arbitration. All claims not expressly GRANTED are hereby DENIED.

Dated: March 18, 2010   
Raymond D. Williamson, Jr.