

The Siegels Of Versailles

By Susan Berfield

Photos by Martha Camarillo

The house is 60 percent complete

They can make speeches on the balcony

David

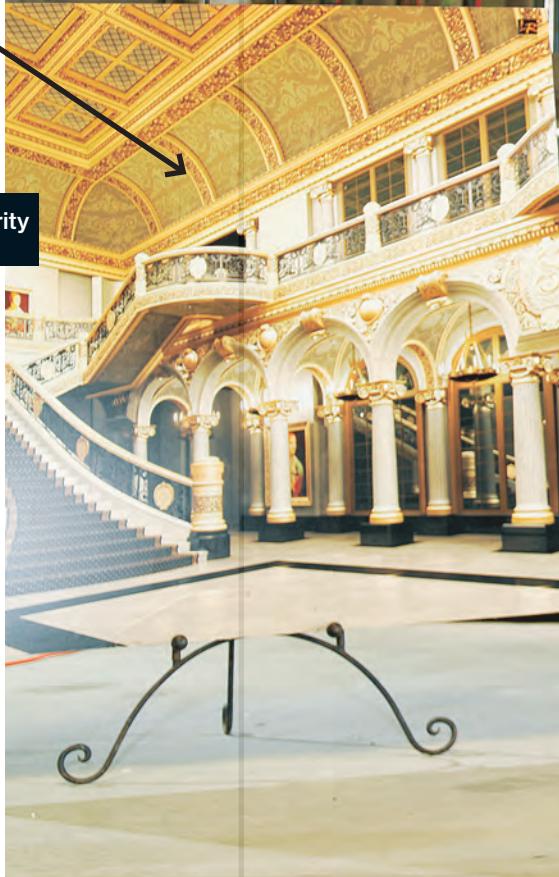
Jackie

They can have charity balls for 500 here

David and Jackie Siegel were

building their 90,000-square-foot dream house, a little place they named after a French palace.

Then the recession hit



“Our house is like a convention center compared to the other houses here,” says David Siegel as he drives through The Reserve at Lake Butler Sound, a gated community in Orlando. The other houses here are not small: They average 10,000 square feet. But his home will be nine times as large. Siegel stops at the end of Kirkstone Lane, pulls into his driveway, and looks around. “Next door is a 12,000-square-foot house. That could be my maid’s quarters one day,” he says lightly. Then he catches himself and adds, “No, I shouldn’t say that, it sounds like an insult.”

David and Jackie Siegel’s dream house sits on 10 acres of lakefront property. Built on a custom-made hill, it occupies one full acre and, when finished, will be the largest home in the country. David, the founder and chief executive officer of the biggest private time-share company in the world, Westgate Resorts, designed it. He and Jackie named it Versailles.

The house is made of concrete and will be covered in white marble from Italy. It is 67 feet tall. There will be French balconies and balustrades and columns. The 20-foot-high front doors are a Brazilian mahogany that is no longer exported. So are the frames on the 160 windows. They cost \$4 million. “Here’s the great room,” David says as he walks in. “It’s 120 feet long by 60 feet wide with a 45-foot ceiling and a big 6-foot-high stained-glass dome. Look at it, that’s probably one of the finest domes ever made. We built the room for charity functions. We can have parties for 500 people here.” Staircases sweep down two sides of the ballroom. Jackie once said she imagined herself descending on one, David on the other. “In fairy tale land,” he says about that. Then he points to the balcony overlooking the room: “We could make speeches from there.”

The wine cellar will have room for tastings and 20,000 bottles. “It’s going to be beautiful,” says David as he walks back up the circular staircase to the main floor. “But I don’t even like wine.” Then through the chef’s kitchen, the family kitchen, and into the living room. “Here’s the part I’m going to like the best: a giant aquarium with exotic fish. Sea World is going to do it for us.”

David is 76, Jackie is 46, and they are raising eight children, including an adopted niece, ranging in age from 5 to 18. There will be 13 bedrooms, 22 bathrooms, and 9 smaller kitchens. The kids will have their own wing with a stage, a computer center, and a living room. They’ll have their own movie theater. The adults will have a movie theater, too, modeled on the Paris Opera House. Downstairs there will be a two-lane bowling alley, a video arcade, a roller-skating rink, an indoor pool, fitness center, spa, and staff quarters.

Outside is a half-acre deck with three pools, a waterfall, and a rock grotto. One day there will be a boathouse and a guardhouse, a sandy beach, a formal garden, a baseball field, and two tennis courts, one with stadium seating. (The property appraiser lists the unfinished home at 67,000 square feet. Siegel plans a finished 90,000.)

For now, though, the house is secured with a chain-link fence and a padlock. The white marble from Italy is stacked in 200 crates in the 20-car garage. There is no electricity, no plumbing, no interior walls. The Siegels had to stop construction on Versailles three years ago when financing for Westgate Resorts faltered, putting the company and their personal fortune at risk. Versailles is only 60 percent complete. It’s also for sale: The price was just reduced from \$75 million to \$65 million. “Watch your step,” David says as we walk out the service entrance.

The Siegels are not like most Americans, but theirs is a very American story. It’s a tale

David says he doesn’t use the Rolls much



of hard work and borrowed money, of idle consumption, wanton ambition, and what happens when it all comes to an abrupt halt.

David Siegel, the son of a struggling grocer and sometime gambler, was a former high school wrestling champion, college dropout, retired television repairman and newly remarried father of six when he moved from Miami to Orlando in 1970. He came because of Walt Disney. The company was buying thousands of acres of farmland, with plans to build Disney World. Siegel became a real estate broker, eventually acquiring property, including an 80-acre orange grove near Disney World, for himself. He was soon well off, and nearly content, too.

Then, in 1980, a businessman offered to buy 10 acres of the orange grove to build a time-share resort. Siegel had never heard of such a thing and was intrigued: He kept the land and the idea. “When we first started, there was a stigma about time shares. We were supposed to be swamp people with gold jewelry and chains,” he says. “The big banks didn’t want to touch us. We got the second-tier lenders.”

That didn’t bother Siegel, because the second-tier lenders seemed to have plenty of money. “They were throwing it at us,” he says on a meandering drive around Orlando, past six of his resorts and the land where he wants to build more. The time-share business, as Siegel and others practice it, depends on cheap, borrowed money. The customer borrows from the company; the company borrows from the bank. In that transaction, multiplied by tens of thousands, Westgate makes a fortune.

Every sales room at every one of his 27 resorts features what Siegel calls his credibility



Front view

It will have 13 bedrooms, 22 bathrooms, and two theaters

VERSAILLES: JOHN RAOUX/AP PHOTO(2); ORLANDO SENTINEL/POLARIS

The Siegels had to get special permission to build a house that’s 67 feet tall



There will be two tennis courts, one with stadium seating

The pool deck is half an acre and will have an 80-foot waterfall

The lake



photos. “There I am with Bruce Willis, Morgan Freeman, Sylvester Stallone, Joan Rivers, Arnold Schwarzenegger. I’ve met everybody,” he says later at Westgate Lake Resort and Spa, which has 1,100 villas. Of every 100 people Westgate pitches, 25 end up purchasing a week at one his resorts after only 90 minutes of consideration. “It’s an impulse buy,” he says. They also get a free breakfast at a Westgate buffet.

These days, Westgate’s buyers have an average income of about \$75,000; Siegel describes them as Wal-Mart customers. A time share is the right to a property for a given amount of time, sold by the week. To purchase the right to an annual week at one of Westgate’s resorts costs an average of \$25,000 for a two-bedroom, two-bath apartment. (That does not include maintenance, which might run \$700 a year). A typical buyer puts 10 percent down and takes out a 10-year mortgage from Westgate with a 16 to 18 percent interest rate. Westgate borrows against the mortgage, at a rate of 5 or 6 percent. More than half of what Westgate makes every year comes from that interest rate spread, according to the company’s chief financial officer, Tom Dugan.

No one at Westgate calls this subprime lending; no one at Westgate thinks of time shares as mortgage factories. But Dugan says its customer default rate is about 20 percent. Among those with a credit score around 500, it is as high as 50 percent. “Why would you be in a business like that?” he asks. “Because

our cash flow was still positive, and with unlimited financing it made sense to do it. The lenders didn’t have to trust the individual buyers. They had to trust the company—that we could generate a new mortgage when one went bad.”

By 1995, Siegel’s first resort in Orlando, Westgate Vacation Villas, had 1,000 apartments and 75,000 owners. The city itself had become the time-share capital of the world, with Wyndham Hotels and Resorts, Marriott International, and Disney building resorts near the many theme parks and attractions. “Everyone goes after the same people here,” says Siegel. “We’re just better at producing bodies and better at selling the bodies. We know how to close a sale. We’re aggressive, but in a nice way.”

Siegel hired thousands of people to call likely prospects and offer them a cheap stay at a Westgate resort in exchange for touring the properties and listening to a sales pitch. (In 2009, Westgate paid a \$900,000 settlement with the Federal Trade Commission over unauthorized phone calls by its vendors to people on the nation’s “do not call” list.) Siegel also put small Westgate kiosks in hotels, theme parks, and every 7-Eleven in Orlando. The best prospects, though, are references: Owners who give Westgate names of friends to contact are rewarded with cash or credits toward their maintenance fee some-

times worth as much as \$500.

As his business was prospering, Siegel and his second wife, Bettie, began construction in 1990

on a 63,000-square-foot neoclassical house in the town of Windermere. (The appraiser puts it at 36,000 square feet, and Siegel never had any reason to dispute that.) When he and his wife brought in an architect to carry out the plans, the architect warned there could be trouble. As Siegel tells it, “He said that every large home he has designed, the couple divorced. As the house went up, the marriage went down.” Siegel wasn’t worried: His second wife was the love of his life, someone he had dated in high school and reunited with 17 years later. They had already been married for two decades and together owned Westgate and its parent company, Central Florida Investments.

As the work proceeded, the price increased from \$3 million to \$8 million and then beyond, and Siegel and his wife began to bicker. She made decisions against his wishes, which to him was the ultimate deception. “So I washed my hands of the house, which was the worst thing I could do,” he says. “I would criticize the house. She would criticize the business. It was never really about the money. It was about us.”

They completed Palazzo del Lago in 1996, at a cost of \$35 million. Siegel, who had lived there during the final two years of construction, moved out that summer. The couple split in 1997, and she eventually won a settlement of \$200 million. He bought out her share of the company, and she kept the house. "Bettie wasn't criticizing the way he was running the company," says her divorce lawyer, Mayanne Downs. "She wanted to pull cash out of the company for them rather than pushing it all to the center of the table. There wasn't a contingency plan. For him, it's an exhilarating way of life. She was ready for a little less exhilaration."

As David drives by the Palazzo del Lago on the way to his present home, he says: "The house is gorgeous, unbelievable. She did a great job." The mansion is a couple of miles from where he and Jackie now live; Versailles is a couple of miles in the other direction.

Just a few months into bachelorhood, David met Jackie at a party in Orlando. It was love at first sight. Jackie was 30 and in the middle of a divorce. David was 60. She had grown up in Binghamton, N.Y., earned a bachelor's degree in computer engineering technology, worked at Citigroup, and briefly dated Donald Trump. She had also been a model and was crowned Mrs. Florida in 1993. She and David moved into an 8,000-square-foot house in the gated community of Isleworth, a suburb of Orlando, had two children together, and wed in 2000. They would go on to have seven kids in nine years. "My wife is a psycho, but a lovable psycho," says David. "She does everything to the extreme."

His fruitful home life coincided with a very productive time at Westgate. He opened his first resorts outside Florida, in Gatlinburg, Tenn., and Park City, Utah, as well as Branson, Mo., Williamsburg, Va., and Las Vegas. He also developed a reputation for suing vendors, partners, and even former employees. His divorce from Bettie began amicably and ended up in court. In 2007, after a six-year legal fight, he lost a sexual harassment case brought by a former employee and paid her \$610,000 in damages. Siegel says he did nothing wrong. "If you're wealthy, going in front of a jury is the worst thing you can do."

"It's one thing to be tough, it's another to

"I was making more money than I could ever spend in my life," David says

use lawsuits as a weapon," says Alan Rainey, who was Westgate's chief financial officer in the 1990s. Rainey gave unfavorable testimony in Siegel's divorce case, was let go in 1998, and subsequently was sued by Siegel for breach of duty not to compete. They settled that case. "David embodies everything right and wrong about greed and capitalism," Rainey says. "I don't admire him, but I am proud I was part of the group that built up the company. It's like with George Steinbrenner and the Yankees: No matter what you thought about Steinbrenner, you had to respect the team he put on the field."

By 2007, Siegel had 28 resorts around the country, with 11,000 villas and 500,000 owners. His company had grown 20 percent every year and, according to *Vacation Ownership World*, had sales of \$875 million. By 2008, Westgate's profits were about \$175 million, according to CFO Dugan. Siegel employs his brother and two sons from his first marriage, but he retains 100 percent ownership. "I was making more money than I could ever spend in my life," he says of those years.

In 2004, David designed Versailles on the back of an envelope during a flight to Las Vegas aboard his Gulfstream jet. "I didn't set out to design a 90,000-square-foot house," he says. "I wasn't looking to build the biggest house in America. I just drew my picture too big." Since then, he has made one change: The ice rink is now for roller skating. "Once they started talking to me about Zambonis and special air, I figured the kids can go ice skating somewhere else," he says.

Siegel spent the first couple of years interviewing companies about building the 160 window frames and the two-story front doors, visiting Italian factories in search of the right Carrara marble and selecting a glass-maker to create the ballroom dome. He also piled up 60,000 cubic yards of dirt to make

a hill and let it compress for two years so the house would never settle and the marble would never crack.

David and Jackie started construction on Versailles in 2006. They had to get permission from the local homeowners' association to build a house that is 22 feet higher than allowed. As the house began to loom over the neighborhood, the association asked the Siegels to landscape it in a way that would make it less noticeable. Lorraine Barrett, the Siegels' friend, real estate broker, and now company executive, says relations between the couple and the community are cordial. "I'm sure they didn't want it as big, but it is on 10 acres," she says. "And I'm sure they want it finished. But when it is, it will be beautiful."

David met with the architect and general manager every morning. Jackie didn't always accompany him. "I let him do what he wanted," she says. "He built such a beautiful mansion before." And there's the ex-wife to consider, too. "That house caused their divorce. They would probably still be together otherwise. He thought the house consumed her. Maybe he was being melodramatic. I took it to heart, though."

In the meantime, the Siegels spent \$7 million on a 26,000-square-foot house to live in until Versailles was complete. It's called Seagull Island. Tiger Woods and Elin Nordegren lived nearby in a 6,800-square-foot home before their marriage foundered. "When he crashed his car, Jackie ran out and took photos," David says. "She sold one to TMZ for \$400. That was very enterprising of her, but I think she could have gotten more."

At Seagull Island, there were nannies, maids, cooks, gardeners, drivers, and personal assistants. "Seven kids, and neither of us ever changed a diaper," says David, laughing. They also had four dogs, three white peacocks, a Vietnamese potbellied pig (until the staff objected), canaries, cats, and at least one taxidermied dog in a glass case. Jackie delighted in spending money on clothes, jewelry, the kids, her friends, charity. She liked to ski, she wanted a yacht. She got a Bentley. "That's probably the only nice car I'll ever have," she says. "I had to talk him into it. But he got a great deal: One of my friends was going through a divorce and needed the money. The car still calls me Lorraine."

Jackie and two of her kids, in her closet. In the middle, a stripper pole



David insists that he has no hobbies and no diversions. Except his family: His 14 kids range in age from 5 to 55, and he has nine grandchildren. He is solidly built, wears his shirts untucked and his shoes unpolished. He says he prefers to buy clothes on sale. "I've had suits custom-made for him, and he loved them," says Jackie. "But I had to tell him I got them from a thrift store." He asks to take the leftovers at restaurants, and sometimes bones for the dogs. He wrote "Do Not Remove" on the Styrofoam cup he drinks from at work. "I'm a wealthy guy, but I live like my customers live," he says. "I love to get bargains. The car I drive was free. I got it from Thrifty because we do so much business with them."

David does have a Rolls-Royce Phantom, given to him by his executives. He drives it to work once a week, parking it in a single-car garage he had built. "I don't want to get it nicked up," he says. "And what if I have to fire someone? They might key it." Jackie wishes he'd drive it more. "At charity events," David says, "she wants people to see her pull up in the Rolls."

In 2007, when David estimated his net worth to be \$1.8 billion—*Forbes* put him at \$1 billion—he and Jackie agreed to let documentary filmmaker Lauren Greenfield follow them as they built Versailles. She came for holi-

days, for dinners, for parties. She met Jackie's parents, friends, household staff, and kids. She sat in on meetings at Westgate. When Greenfield asked David why he wanted to build such an immense home, he said: "Because I can."

Then came 2008. Every year for 17 years, Westgate had taken all its mortgages, bundled them together, and sold them in a securitization. "We'd pay off the lenders and then start over again," says Siegel. It was a crucial part of the business model. Westgate had a \$300 million securitization set for October 2008. It didn't sell. "We couldn't pay off our lenders, our credit lines were maxed out, and we were building a 52-story tower in Las Vegas," says Siegel. He had given the banks personal guar-

antees, and suddenly he found himself \$1.2 billion in debt, with no savings to speak of.

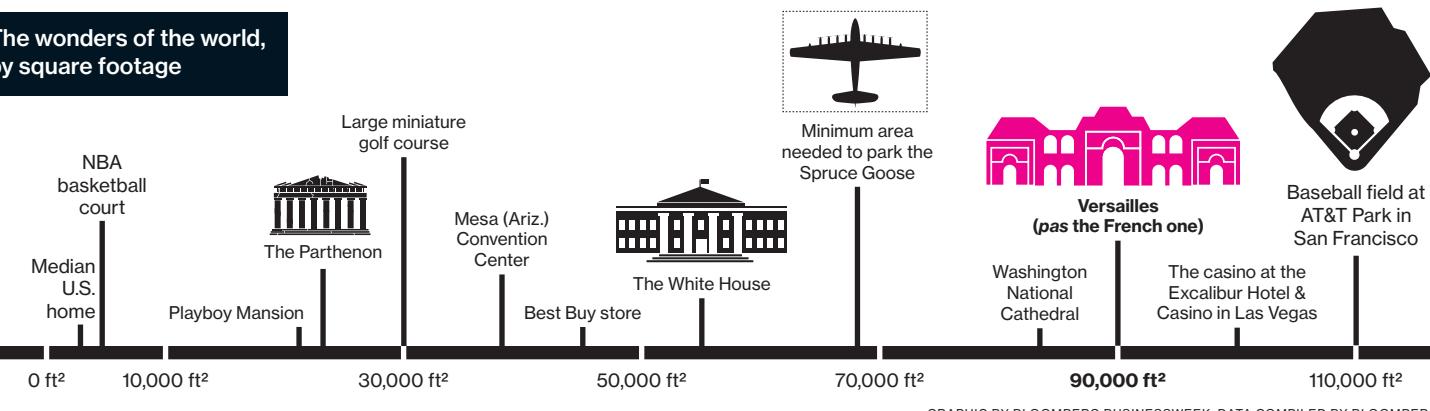
Those once-generous second-tier lenders—Textron Financial, CapitalSource, and GMAC—took charge of Westgate. Siegel had to cut his staff from 12,000 to 5,500 and institute pay cuts from 5 percent to 30 percent for those remaining. The banks told him he couldn't fly on the Gulfstream. They wanted him to sell \$350 million worth of property, including a dude ranch, a mobile home park, and a Ramada hotel near Disney World. Mexican billionaire Carlos Slim bought that. "He stole the Ramada from me," says Siegel. "It was appraised at \$20.5 million, and he got it for \$8 million." Siegel says that only 6 of the 60 properties were sold off.

The banks also put David and Jackie on an allowance, which he won't say much about except this: "They've got me on a leash." The Siegels had to lay off all the maids but one, as well as the gardeners, the chauffeur, and the personal shopper. They put their kids in public school. They flew commercial. And in 2009 they halted construction at Versailles.

Siegel wasn't ready to let go of his Las Vegas project, though. It was called Planet Hollywood Towers by Westgate, and it was the most extravagant and riskiest of his resorts, opening in a city hit hard

He had given the banks personal guarantees and suddenly found himself \$1.2 billion in debt, with no savings

The wonders of the world, by square footage



by the financial turmoil. In 2007, Siegel had put in \$260 million of his own money and taken out a \$400 million mortgage. Textron and GMAC were lending him money against his sales, as they had always done. Then they stopped. "They just said, 'Oh, by the way, we're not going to be funding your sales anymore. How are you going to pay for this building?'" He couldn't, and the banks told him he would have to sell it. "I have \$410 million in it by this point. I said, 'Over my dead body.'" The banks started foreclosure proceedings. Siegel considered filing for bankruptcy, but he was worried about the impression it would make on his customers.

His executives knew he had to give it up. Mark Waltrip, the chief operating officer, says: "When I first joined, David said the most important thing is not to get emotion-

nance only about \$300 million in sales. "We used to take anybody," says Siegel. "We're more picky now."

He says demand for time shares has remained strong. Orlando still gets about 50 million visitors a year. "There's nothing wrong with the economy down here," he says. "If I didn't watch TV and read the newspaper, I would think this country is in the middle of the biggest boom in its history." Yet at Westgate and throughout the industry, the focus has shifted: Close to 50 percent of Westgate's sales come from owners who upgrade to more expensive units or buy more time.

Siegel says the company is just as profitable as it once was. "We were fat before, and I didn't care," he says. "Now we're lean and mean." All those profits, though, some \$125 million or more a year, go to Westgate's banks. "In three years I'll be totally out of debt," he says. "Then all the money will come to me, and I won't know what to do with it. Well, I'll make the company bigger. But this time I won't borrow to do it. I don't want to be in debt."

Until then, though, Siegel doesn't know what to do with himself. "I'm frustrated. I can't grow the company. I see all these opportunities. But all I can do is make money with what I have. That's really boring. I want to create. I'm like an artist who isn't allowed to draw or a musician who can't play."

In January the banks approved 5 percent raises for everyone at Westgate but Siegel. He's still sore about that. The company also made plans for its first securitization in five years. Ron Leventhal, who served as CEO at Westgate in the 1990s and was sued by Siegel after he left, says: "You will never see the demise of Westgate. It requires money. When there's more money, it will come back as strong as ever."

In January, Siegel also sued the Sundance Institute and Greenfield for defamation. Siegel alleges that the promotional material for her movie, *The Queen of Versailles*, describes his company as broke, though it's not, and his as a "rags-to-riches-to-rags" story. Greenfield and Sundance changed the wording, but not enough to appease Siegel. Nine days later the movie played at the festival's opening night. Robert Redford introduced it. While David stayed home, Jackie walked the red carpet in a leopard-print mini-dress and a red fox fur coat. She sat in the first row, waved to the audience, and hugged the director afterward.

"My wife is kind of a frustrated wannabe movie star," says David. "You could call her an ax murderer, but if you spell her name right, she'll be OK with it. I think it is a terri-

"We were fat before, and I didn't care," says Siegel. "Now we're lean and mean"

ble portrayal of our family, but she was there signing autographs."

He still hasn't seen the movie. "What will I think?" he asks Jackie one night over dinner at the Westgate Smokehouse Grill, the most popular of his restaurants. He's having the brisket; she, the fish. The waiters hover.

"It's funny. They show me saying, 'I'm cutting back,' and then I'm at Wal-Mart buying all these games for Christmas. I was going to give them all away."

"But didn't it make you look like a crazy shopaholic?"

"Everyone laughed. I laughed."

"What about the end?"

"You'll cry at the end. It has a lot of emotion. The music is fabulous. And they got the moment the lights went off in Las Vegas."

"Does it look like it's Westgate going dark or the building?"

"Westgate."

"That's what I don't like."

"You should see it. I want to see it again."

David and Jackie have been surprised by the criticism of their lifestyle. "So much negativity. You would think they would be happy for someone living the American dream," Jackie says. "Why is everyone so concerned about how we spend our money? We give a lot to charity. We keep the economy going." The Westgate Resorts Foundation has given \$6.2 million to various charities since 2001 and has raised an additional \$8.6 million, according to the company. Siegel says he has also donated thousands of free nights at his resorts. As for the notion that the divide between the wealthy and everyone else is grotesquely wide, David says: "There's always been rich and poor, the 1 percent and the 99 percent." And then he adds, "It's like a prison. If you only have prisoners and no guards, you'd have chaos."

Versailles still beguiles the couple. They have until early April to pay off an \$8.7 million mortgage or face foreclosure. David, despite his vow to live debt-free, says he is approved for a \$25 million loan, enough to pay Bank of America and finish the construction. He hopes the marble will start to go up next month. He thinks Versailles could be complete within two years. "But what if it takes five?" asks Jackie. "A bunch of the kids will be in college then. I thought this was a house to raise our family in. I won't be heartbroken if we don't move in."

"We'll either move into it or sell it," he says. "Either or. Whatever happens first. We really don't need the house. But I want to finish it." **E**

David's portrait hangs in the living room of their current home, Seagull Island



al about real estate. It's easy to fall in love."

Siegel came around. "Finally, I decided to cut off my arm to save the body. That was probably the hardest decision I ever made in my life. I was going to make \$2 billion in profit on that one building—\$2 billion. I'm out that. I'm out the \$400 million. I'm out my pride."

He sold the tower on Nov. 21, 2011. Greenfield captured all of this on film: the lights going out on the Westgate logo, David depressed and withdrawn, his house succumbing to the chaos that eight kids can create, Jackie trying to adjust to their reduced circumstances. "He was humbled a little bit. He was easier to get along with," Jackie says. "And I think he appreciated me more because I didn't freak out."

Westgate is about half the size it used to be. Without that borrowed money, it can fi-