

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

In the matter of:

MICHAEL H. WALLACE,
Former Chairman of the
Board of Directors and
Chief Executive Officer
Westco Savings Bank,
F.S.B.,
Culver City, California.

Re: OTS Order No. SF-94-009

Date: March 22, 1994

ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, the Office of Thrift Supervision ("OTS"), having conducted an investigation into the affairs of Westco Savings Bank, F.S.B., Culver City, California ("Westco"), has concluded that Michael H. Wallace, former Chairman of Westco's Board of Directors and Westco's Chief Executive Officer, has violated laws and/or regulations and/or committed unsafe or unsound practices, and that Wallace was unjustly enriched in connection with such violations or practices or that such violations or practices were in reckless disregard for law or regulations, by:

(a) Causing Westco's holding company, Westco Capital Corporation ("Westco Capital"), of which he was the sole shareholder, to enter a joint venture with a company, Penstar, owned by an individual to whom Wallace owed \$570,000. Upon dissolution of this joint venture, the liability of \$570,000 was

assumed by Penstar. This dissolution coincided with the acquisition of Penstar by a subsidiary of Westco, resulting in the assumption of Wallace's personal debt by Westco;

(b) Causing a subsidiary of Westco to purchase and furnish a condominium in Sun Valley, Idaho, which Wallace used for personal purposes free of charge;

(c) Having a corporation formed by Wallace purchase an aircraft and then lease it to Westco, two of Westco's wholly-owned subsidiaries, and a third corporation which was 50% owned by Westco, with the result that Westco and its subsidiaries were making payments to Wallace, an affiliated party, for the use of the aircraft; and

(d) Causing Westco to pay approximately \$13,000 for Wallace's personal expenses.

WHEREAS, Wallace consented to the issuance of an Order of Prohibition by OTS on December 19, 1990;

WHEREAS, OTS is of the opinion that, as a result of the aforementioned actions, grounds exist for OTS to seek the issuance of certain agency orders against Wallace, pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (Supp. IV 1992);

WHEREAS, Wallace has, without either admitting or denying the OTS's grounds therefore, agreed and consented to the issuance of this Cease and Desist Order For Affirmative Relief ("Order") by executing the accompanying Stipulation and Consent to the Entry of an Order to Cease and Desist For Affirmative Relief:

NOW, THEREFORE, IT IS ORDERED that:

1. Wallace shall cease and desist from any further violations of law or regulation or unsafe or unsound practices.

2. Wallace shall pay restitution in accordance with the Settlement Agreement and Release entered into by Wallace and the Resolution Trust Corporation ("RTC"), as receiver for Westco, in the amount of \$125,000, the payment terms of which are incorporated herein by this reference.

3. The Settlement Agreement and Release, as fully executed and delivered, is and shall be incorporated herein by reference and, in addition to the remedies set forth in the Settlement Agreement and Release, shall be enforceable by the OTS as a term of this Order as though fully set forth in this Order.

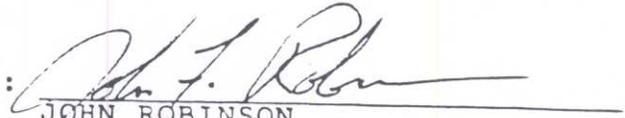
4. This Order is subject to the provisions of Sections 8(i) and 8(j) of the FDIA, 12 U.S.C. §§ 1818(i) and (j) (Supp. IV 1992), and shall become effective on the date it is issued.

5. All words or terms used in this Order, for which meanings are not specified or otherwise provided for by the provisions of this Order, shall have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act, FDIA and FIRREA.

6. This Order shall become effective on the date of issuance by the Regional Director, and shall remain in effect until modified or terminated by the OTS.

THE OFFICE OF THRIFT SUPERVISION

By:



JOHN ROBINSON
Regional Director
West Regional Office

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Former Chairman of the)
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Westco Savings Bank,)
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Culver City, California)

Re: OTS Order No. SF-94-009

Date: March 22, 1994

STIPULATION AND CONSENT TO THE ENTRY OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

The Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed MICHAEL H. WALLACE ("Wallace"), former Chairman of the Board of Directors and Chief Executive Officer of Westco Savings Bank, F.S.B., Culver City, California ("Westco"), that the OTS is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against him pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (Supp. IV 1992).

Wallace desires to avoid the time and expense of such an administrative proceeding, and, without admitting or denying that such grounds exist (except as set forth in paragraph 1 below, which are admitted) or that he has committed any violation of law or rules, hereby consents to the issuance of the accompanying Order to Cease and Desist For Affirmative Relief ("Order") pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b) and agrees to the following terms:

1. Jurisdiction. Wallace admits the jurisdiction of OTS over him, and over the subject matter of this action, pursuant to Section (b) of the FDIA, 12 U.S.C. § 1818(b). Specifically, Wallace admits that:

(a) Westco was a "savings association" and an "insured depository institution" as defined by 12 U.S.C. §§ 1462 and 1813 (Supp. IV 1992).

(b) Wallace was Chairman of Westco's Board of Directors and Westco's Chief Executive Officer and is an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u) (Supp. IV 1992).

(c) Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q) (Supp. IV 1992), the Director of OTS is the "appropriate

Federal banking agency" to maintain this enforcement proceeding against Wallace.

2. Consent. Wallace consents to the issuance by OTS of the Order. Wallace further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all applicable requirements of law.

3. Acknowledgment. Wallace acknowledges and states that he enters into this Stipulation and Consent to Entry of Order to Cease and Desist for Affirmative Relief ("Stipulation and Consent") willingly and without any coercion or promises of any kind from, or reliance on, any statements made by, OTS or any officer, attorney, agent or employee thereof, except as stated herein, in the Order or in the documents executed by Wallace and the Resolution Trust Corporation ("RTC") in connection with the settlement of the RTC's claims against Wallace.

Wallace further acknowledges that this Stipulation and Consent and the accompanying Order are entered into and executed by OTS in reliance on the financial statements and affidavits provided by Wallace to the RTC and the OTS.

4. Finality. The Order is issued by OTS under the authority of Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon issuance of the Order, it shall be a final order, effective and fully enforceable by OTS, its successor(s) or an appropriate Federal banking agency under the provisions of Section 8(i) of the FDIA,

12 U.S.C. § 1818(i) (Supp. IV 1992).

5. Waivers. Wallace waives any right to the administrative hearing procedures provided by 5 U.S.C. §§ 554-557 (1989), 12 U.S.C. § 1818(b), or any other applicable provisions of law and further waives his right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

6. Scope. Wallace acknowledges that this Stipulation and Consent, the Order, his payment of any moneys pursuant to the Order and his compliance otherwise with the Order and the forbearance of the OTS to maintain administrative proceedings against him fully and finally resolve all potential charges that OTS could bring against Wallace based upon, or arising from, Wallace's actions, known or discovered by OTS prior to issuance of the Order, in connection with or involving his participation in the affairs of Westco. The Stipulation and Consent and the Order do not resolve, preclude or affect any other civil or criminal claim or proceeding that may be or has been brought against Wallace or any other person by any other governmental agency.

This Stipulation and Consent is entered into by and between Wallace and OTS, whose acceptance of this Stipulation and Consent is indicated by issuance of the Order.

WHEREFORE, intending to be legally bound hereby, Michael H. Wallace executes this Stipulation and Consent to Cease and Desist Order for Affirmative Relief.

Michael H. Wallace
Michael H. Wallace

* * * *

NOTARIZATION

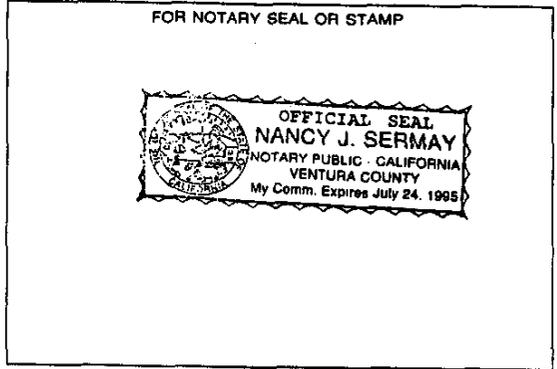
STATE OF CALIFORNIA
COUNTY OF VENTURA } S.S.

On March 15, 1994 before me,
Nancy J. Sermay
a Notary Public in and for said County and State, personally appeared
Michael H. Wallace

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature Nancy J. Sermay
F 2492 (5-91)



Staple
CERTIFICATE OF ACKNOWLEDGEMENT
Staple