

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.

