

1989 & Supp. 1992). The Party desires to cooperate with the OTS, and the OTS and the Party desire to avoid the time and expense of such administrative proceeding. Without either admitting or denying that such grounds exist, the Party hereby stipulates and consents to the issuance of the accompanying Order to Cease and Desist for Affirmative Relief, attached hereto as Exhibit A (the "Order"), in consideration of the undertakings of the OTS, the Federal Deposit Insurance Corporation and certain other parties contained in the Order and the Documents attached thereto.

2. Jurisdiction. For the sole purpose of issuance and enforcement of the Order, the Party admits that:

(a) The Lincoln Savings Bank, FSB, New York, New York ("Lincoln") is a "savings association" and an "insured depository institution" as defined by 12 U.S.C. §§ 1462 and 1813 (West 1989 & Supp. 1992).

(b) The Party is an "institution-affiliated party" as defined by 12 U.S.C. § 1813(u) (West 1989 & Supp. 1992).

(c) The Director of the OTS is the "appropriate Federal Banking agency" to maintain administrative proceedings against the Party pursuant to 12 U.S.C. § 1818 (West 1989 & Supp. 1992).

3. Consent. The Party, without admitting or denying any violation of law or regulation, consents to the issuance by the OTS of the Order. The Party further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law. The Party consents to

the jurisdiction of the OTS and to the jurisdiction and venue of the United States District Court for the Southern District of New York solely for the purposes of enforcing this Stipulation and the Order pursuant to the provisions of 12 U.S.C. § 1818(i)(1) (West 1989 & Supp. 1992).

4. Finality. The Order is issued under 12 U.S.C. § 1818 (West 1989 & Supp. 1992). Upon its issuance, it shall be a final order, effective and duly enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i) (West 1989 & Supp. 1992).

5. Waivers. The Party waives a notice of charges; an administrative hearing; entry of findings of fact and conclusions of law; all post-hearing procedures; and judicial review of the Order, including any such right provided by 12 U.S.C. § 1818(h) (West 1989 & Supp. 1992) or otherwise to challenge the validity of the Order.

6. The Party agrees that it shall promptly respond to any request from the OTS for non-privileged documents that the OTS reasonably requires to determine compliance with the Order. This Stipulation and the Order may be used in any proceeding or litigation brought by the OTS to enforce the Order; provided however, that the OTS shall not use this Stipulation or the Order or the relief consented to by virtue of this Stipulation for any other purpose.

7. The Party hereby represents, warrants and states that this Stipulation is signed and submitted on its behalf by a duly authorized agent or representative.

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

In the Matter of

TOWNSVIEW PROPERTIES LIMITED,
TOWNSVIEW INVESTMENTS LIMITED,
UNICORP ENERGY CORPORATION,
LINCORP HOLDINGS, INC.,
LINCORP, INC.,
WESTCLIFF MANAGEMENT SERVICES,
INC.,
BRASPOWER LIMITED,
GREAT LAKES POWER INC., AND
HEES INTERNATIONAL BANCORP
INC. (collectively referred
to as "Respondents"),

Institution-Affiliated Parties
of

THE LINCOLN SAVINGS BANK, FSB
New York, New York.

No. OTS AP No. 93-6

Dated: January 19, 1993

ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, the Office of Thrift Supervision ("OTS") has conducted an investigation pursuant to Resolution No. 92-01, dated January 7, 1992, concerning the asserted capital maintenance obligation of Unicorp Energy Corporation, Lincorp Holdings, Inc. and Lincorp, Inc. to The Lincoln Savings Bank, FSB of New York, New York ("Lincoln"), as well as possible violation of law and regulations relating to the acquisition of ownership and control of Lincoln and certain holding companies thereof, and filings and lack of filings, on the part of the

Respondents and those persons and entities listed in Attachments B and B-1 to the Agreement referred to below (collectively with Respondents and Union Holdings Inc. referred to as "Non-governmental Parties"), and, as a result of that investigation, has concluded that:

Lincoln is owned by Lincorp Inc. ("Lincorp"), a corporation which has its principal place of business in New York, New York. Lincorp is wholly owned by Lincorp Holdings, Inc. ("Holdings"), formerly known as Unicorp American Corporation ("UAC"), a corporation organized under the laws of the State of Delaware which has its principal place of business in New York, New York. Approximately 74 percent of the common stock of Holdings is owned by Unicorp Energy Corporation ("UEC"), formerly known as Unicorp Canada Corporation ("UCC"), a Canadian corporation which has its principal place of business in Toronto, Canada.

Lincoln does not presently meet certain minimum regulatory capital requirements of the OTS. UEC, Holdings and Lincorp, as holding companies of Lincoln, each has a joint and several capital maintenance obligation with respect to Lincoln. An action concerning that issue captioned Lincoln Savings Bank, FSB v. Unicorp Energy Corporation, et al., Nos. 92-6057 and 92-6097, is pending in the United States Court of Appeals for the Second Circuit.

UEC, Holdings and Lincorp have a capital maintenance obligation to Lincoln. In addition, Respondents (other than UEC, Holdings and Lincorp) have violated or are in violation of laws and regulations relating to the acquisition of ownership

and control of Lincoln and its holding companies. In December 1987, George S. Mann ("Mann"), a Canadian businessman, acquired control over Lincoln through a conversion of Lincoln from a mutual to a stock savings association. In that transaction, all of Lincoln's common stock was acquired by Lincorp. At that time, more than 50% of the Class A Non-Voting Stock and 60% of the Class B Voting Stock of UCC was owned by Townsview Properties Limited ("TPL"), a Canadian corporation, which was and is wholly owned by Mann. In connection with the acquisition of Lincoln, TPL, UCC, UAC and Lincorp applied for and were approved by the Federal Home Loan Bank Board ("FHLBB") as savings and loan holding companies of Lincoln.

In May 1988, an exchange of stock occurred between TPL and Townsview Investments Limited ("TIL"), a Canadian entity newly formed by TPL and Mann for the purpose of raising capital in UCC. As a result, TIL became the owner of the voting and the nonvoting UCC stock held by TPL, in consideration of TPL acquiring all of the voting and nonvoting stock of TIL. To raise new capital for UCC, TIL issued just under 40% of its voting and 50% of its nonvoting stock (based on the number of shares outstanding after such sale) to four Canadian investors: Westcliff Management Services Limited ("Westcliff"), Barnwood Investments Limited ("Barnwood"), Realwest Energy Corporation ("Realwest"), and Northstar Investments Corporation ("Northstar") (collectively referred to as the "TIL Investors"). Despite having acquired this indirect controlling interest in Lincoln, at no time did TIL nor any of the TIL Investors receive

approval from the FHLBB or the OTS under the Savings and Loan Holding Company Act to operate as savings and loan holding companies of Lincoln. In 1991 TIL filed an application with the OTS for the indirect acquisition of Lincoln which did not fully disclose the nature of the stock ownership of the TIL Investors.

Prior to Lincoln's 1987 acquisition, in 1985, several companies affiliated with the "Edper Group" of companies acquired approximately 50% of a class of UCC nonvoting, retractable preference shares (the "Class II, Series B Preference Shares"). The Edper Group of companies consists of approximately 35 Canadian public companies and their many subsidiaries with major interests in financial services, natural resources, consumer products and real estate. The Edper Group is controlled by the Peter Frederick Bronfman Trust. The Edper Group played no role in the 1987 acquisition of Lincoln.

Between 1988 and 1990, the Edper Group, acting primarily through one of its major companies, Hees International Bancorp, Inc. ("Hees"), provided significant capital infusions to UCC through loans and underwriting of a stock offering, and placed several Edper Group officials onto the Board of Directors of UCC and into UCC management positions. In particular, Hees acted as a standby underwriter for a major rights offering of UCC Class A Non-Voting Stock in January 1990, as a result of which Hees acquired approximately 24.6% of this stock at a cost of over \$35.6 million. In addition, in July 1990, Hees provided a \$15 million line of credit to UAC as part of a total \$24 million

credit facility with the National Bank of Canada. Hees also agreed (through a subsidiary) in July 1990 to provide a \$50 million operating loan to UCC secured by stock held by UCC, including common stock in UAC, although these funds were never advanced because the loan conditions were not met by UCC.

At different times between 1987 and 1992, the Edper Group held in the aggregate more than 10% of UCC Class A Non-Voting Stock (although denominated "non-voting", the Class A stock is a class of voting stock pursuant to OTS regulations because the Class A shareholders have the right to elect two members of the UCC Board of Directors), held approximately 50% of a class of UCC preference shares, several officials of Edper Group companies served as members of the UCC Board of Directors, including Chairman, and, in 1990, two Edper Group officials became management officials of UCC.

During 1989, Edper Group companies made various filings with the OTS, prepared by its U.S. counsel, which did not disclose such ownership of Class A shares and preference shares and such Board and management representation as required by law and OTS regulations, including an application for the acquisition of an OTS-regulated savings and loan holding company and an application for the acquisition of an OTS-regulated savings association controlled by such holding company.

In 1992, UEC (UCC) redeemed its preference shares, including the Class II, Series B Preference Shares. Also, one Edper Group official resigned from the UEC Board of Directors.

WHEREAS, each of the Respondents has executed, on behalf of itself and any Non-governmental Party identified therein, a Stipulation and Consent to the Entry of an Order to Cease and Desist for Affirmative Relief (the "Stipulations"), each of which is attached hereto and incorporated herein by this reference; and

WHEREAS, the Respondents neither admit nor deny the allegations arising from the OTS investigation; and

WHEREAS, each of Lincoln and the Respondents has executed, on behalf of itself and any Non-governmental Parties identified in that Respondent's Stipulation, an Agreement Relating to The Lincoln Savings Bank, FSB (the "Agreement") which is attached hereto and incorporated herein by this reference (capitalized terms used herein without definition but which are defined in the Agreement to have the same meaning herein as therein);

NOW, THEREFORE, the Director of OTS, on the basis of the Agreement and the related Documents, and the consents evidenced by the Stipulations and, after investigation but without any adjudication on the merits, pursuant to Section 8 of the Federal Deposit Insurance Act ("FDIA"), as amended, HEREBY ORDERS as follows:

AFFIRMATIVE RELIEF

1. Each of the Non-governmental Parties shall comply fully with each and every term and condition of the Agreement, the related Documents and the Stipulations applicable to them. The commitments and obligations of the Non-governmental Parties contained in the Agreement, the related Documents and the Stipulations are incorporated herein by reference and made part of this Order.

2. As part of compliance with this Order, each Non-governmental Party shall comply with the restrictions set forth in the Agreement and the other Documents limiting their (i) exercising or attempting to exercise any influence over the management, operations, policies or business operations of Lincoln and (ii) entering into any banking, investment, credit or other business relationship with Lincoln.

3. As part of compliance with this Order, Lincorp shall transfer all of the outstanding shares of Lincoln's common stock to the Trustee, to be held by the Trustee pursuant to the terms of the Trust Agreement. As part of compliance with this Order, each Non-governmental Party shall transfer, set over, and assign to the Trustee all of its right, title and interest in any other stock, other securities, rights, options or warrants of Lincoln which such Non-governmental Party may acquire after the date hereof, to be held by the Trustee pursuant to the terms of the Trust Agreement.

4. As part of compliance with this Order, in accordance with the Agreement, TPL, TIL, UEC, Holdings and Lincorp shall

each file with the OTS a divestiture notice and application to deregister as a holding company with respect to Lincoln.

Subject to the terms and conditions of the Agreement, UEC shall cause \$30 million to be transferred to the Trustee at the Closing.

5. Pursuant to the Trust Agreement, the Trustee shall exercise any voting rights associated with any shares of Lincoln Stock held by the Trustee pursuant to the Trust Agreement in a manner which the Trustee believes in good faith is consistent with the safety and soundness of Lincoln and with applicable law. Pursuant to the Trust Agreement, the OTS' non-objection shall be sought for (i) any exercise of voting rights by the Trustee of any shares of Lincoln Stock held by the Trustee pursuant to the Trust Agreement or (ii) any sale or disposition thereof by the Trustee. The rights and interests of the Non-governmental Parties and any other party to the Trust Agreement with respect to any securities or other property placed in the Trust shall be limited to those provided by the terms of the Trust Agreement.

6. Solely by reason of the occurrence, existence or continuance of any direct or indirect interest in, or relationship with, Lincoln by any such Non-governmental Party or Non-governmental Parties which is permitted by or consistent with the terms and provisions of the Agreement or any of the other Documents, the Non-governmental Parties, the other parties to the Trust Agreement, or any of them, shall not be deemed to be (i) "savings and loan holding companies"

with respect to Lincoln for purposes of 12 U.S.C. § 1467a or 12 CFR §§ 574 or 584, (ii) in "control" of Lincoln for purposes of 12 U.S.C. § 1817(j) or 12 CFR § 574, or (iii) "companies" that "control" Lincoln for purposes of 12 U.S.C. § 1831o or 12 CFR § 565 (or any provision expressly dependent thereon).

7. The Trust is not (i) a "savings and loan holding company" with respect to Lincoln for purposes of 12 U.S.C. § 1467a or 12 C.F.R. Part 574 or Part 584, or (ii) a "company" that "controls" Lincoln for purposes of 12 U.S.C. § 1831o or 12 C.F.R. Part 565 (or any provision expressly dependent thereon).

MISCELLANEOUS

8. This Order constitutes the final disposition, as to Respondents and the Non-governmental Parties, of OTS enforcement claims asserting possible violations of laws or regulations (a) concerning whether certain Non-governmental Parties have a capital maintenance obligation to Lincoln, and/or (b) relating to the acquisition of ownership and control of Lincoln, or of any holding company of Lincoln, or filings or lack of filings in connection therewith, as set forth in the OTS Release.

9. Lincoln and the Non-governmental Parties shall promptly respond to any request from the OTS for non-privileged documents in Lincoln's or each Non-governmental Party's custody or control that the OTS reasonably requires to determine compliance with this Order.

10. This Order, the Stipulations and the Lincoln Stipulation may be used in any proceeding brought by the OTS to enforce this Order against Lincoln or any Non-governmental Party that has failed to comply with its respective obligations under this Order; provided, however, that the OTS shall not use this Order, the Stipulations, the Lincoln Stipulation or the relief consented to by virtue of the Stipulations or the Lincoln Stipulation for any other purpose.

11. Authority to enter into the Agreement and the related Documents, and to execute the OTS Release, is hereby delegated to the OTS Regional Director for the Northeast Region.

12. This Order shall be and is effective and enforceable upon service.

13. A copy of this Order shall be served upon Lincoln and upon each of the Non-governmental Parties signing the Agreement at the addresses set forth in paragraph 10 of the Agreement.

IT IS SO ORDERED on this 19 day of January, 1993.

OFFICE OF THRIFT SUPERVISION

/S/

~~Jonathan L. Fiechter~~
Acting Director