

**UNITED STATES OF AMERICA
NATIONAL CREDIT UNION ADMINISTRATION
NATIONAL CREDIT UNION ADMINISTRATION BOARD**

In the Matter of)	
)	
SAN CLEMENTE FINANCIAL GROUP, INC.,)	
)	
SAN CLEMENTE FINANCIAL GROUP)	Docket No. 96-09-01-GC
SECURITIES, INC., COOKE B. CHRISTOPHER,)	
THOMAS SUNDERLAND, and ERIK FISHER)	
Respondents.)	

CEASE AND DESIST ORDER

Respondents San Clemente Financial Group, Inc. ("SCFG"), San Clemente Financial Group Securities, Inc., ("SCFGS"), Cooke B. Christopher ("Christopher"), Thomas Sunderland("Sunderland"), and Erik Fisher ("Fisher") have each executed a Stipulation and Consent to Issuance of Cease and Desist Order which are accepted and approved by the National Credit Union Administration Board.

IT IS HEREBY ORDERED:

1. The Stipulation and Consent to Issuance of this Cease & Desist Order, dated _____, 1997, is made a part hereof and is incorporated herein by this reference.
2. Each respondent has consented and agreed to the issuance of this Cease and Desist Order and will take the following corrective and affirmative measures:
 - (a). Respondents will familiarize themselves with Part 703, Investments, NCUA Rules and Regulations, 12 C.F.R. Part 703, and all subsequent amendments thereto.
 - (b). Respondents will only sell investments to federal credit unions which are authorized pursuant to Part 703 and will not sell investments which federal credit unions are prohibited from purchasing under Part 703.
 - (c). Respondents will not sell to federally insured credit unions any zero coupon certificates of deposit ("CD's") with maturity dates that are more than 10 years from the settlement dates for purchases of those securities.
 - (d). Respondents will not misrepresent, either orally or in writing, to federally insured credit unions, the maturity periods of CD's or other securities.

(e). Respondents will fully and accurately inform in writing each federally insured credit union of all the terms of any CD or other security being sold to such credit union before obtaining any commitment, either orally or in writing, from the credit union to purchase such CD or other security.

(f). Respondents will not misrepresent their true name in any dealings with federally insured credit unions nor allow anyone acting on their behalf to do so.

(g). Respondents will not place nonmember deposits with a Federal credit union unless the credit union has first confirmed in writing to respondents that such deposit(s) will not exceed 20% of that credit union's total shares or \$1.5 million, whichever is greater, as required by 12 C.F.R. §701.32(b).

(h). Respondents will not wire funds to, nor cause any of their investor clients to wire funds to, any federally insured credit union which has not first confirmed in writing its consent to receive the deposit(s) in question.

(i). Respondents SCFG, SCFGS, Christopher, and Sunderland will create a training manual which will be given to all SCFG and SCFGS personnel. Respondents SCFG, SCFGS, Christopher, and Sunderland will ensure that all account executives or other employees are trained to know which investments and securities federally insured credit unions are prohibited from making by the Federal Credit Union Act, 12 U.S.C. §1757, and NCUA's Rules and Regulations, 12 C.F.R. Part 703.

(j). Respondents SCFG, SCFGS, Christopher, and Sunderland will create and distribute a training manual to their account executives, and to any other personnel who deal with federally insured credit unions, explaining the prohibited and permissible investments by federally insured credit unions. Such training and manual shall be in place by December 31, 1997. Respondents SCFG, SCFGS, Christopher, and Sunderland will send a copy of the manual, and a statement detailing the training which has been and is to be given, to NCUA's Office of General Counsel by January 10, 1998.

(k). Respondents will, upon written request of NCUA's Office of General Counsel, provide NCUA with a written list of the names and a complete account statement of all credit union customers once per calendar year for the three years following the date this Order is approved by the NCUA Board.

FOR THE NATIONAL CREDIT UNION ADMINISTRATION BOARD

BECKY BAKER

Secretary of the Board

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STIPULATION AND CONSENT TO ISSUANCE
OF CEASE AND DESIST ORDER

The National Credit Union Administration Board, by and through its undersigned counsel, and San Clemente Financial Group, Inc, ("SCFG"), San Clemente Financial Group Securities, Inc., ("SCFGS"), Cooke B. Christopher ("Christopher"), Thomas Sunderland ("Sunderland"), and Erik Fisher ("Fisher") hereby stipulate and agree as follows:

1. Consideration.

A. The National Credit Union Administration ("NCUA"), based upon evidence obtained through an investigation it has conducted, is of the opinion that grounds exist to initiate administrative Cease and Desist Orders, Prohibition Orders, and Civil Money Penalties against SCFG, SCFGS, Christopher, Sunderland, and Fisher pursuant to provisions of the Federal Credit Union Act, 12 U.S.C. §1786. The evidence indicates the following:

(1). Violations of 12 C.F.R. §703.5(k) through sales to Federal credit unions of zero coupon certificates of deposit (CD's) with maturity dates that are more than 10 years from the settlement date for purchase of the securities.

Section 703.5(k) of NCUA's Rules and Regulations, 12 C.F.R. §703.5(k), prohibits a Federal credit union from purchasing a zero coupon security with a maturity date that is more than 10 years from the settlement date for purchase of the security. As used in Section 703.5(k), the term "security" includes certificates of deposit. 12 C.F.R. §703.2. The evidence indicates the following violations of Section 703.5(k):

(a). On February 4, 1993, SCFG account executive "Steve Miller", real name Frank Chavez, sold a zero coupon CD with a maturity date of January 20, 2006, to Levi Strauss Employees Federal Credit Union ("FCU") of San Francisco, California.

(b). On March 15, 1993, SCFG account executive Bruce Carter sold a zero coupon CD with a maturity date of April 24, 2009 to Twin Meadows FCU of Longmeadow, Massachusetts.

(c). On December 8, 1993, SCFG account executive Bruce Carter sold a zero coupon CD with a maturity date of December 8, 2008, to United Hospital Center FCU of Clarksburg, West Virginia.

(d). On December 10, 1993, SCFG account executive Bruce Carter sold a zero coupon CD with a maturity date of December 9, 2008, to Twin Meadows FCU of Longmeadow, Massachusetts.

(e). On June 9, 1994, SCFG account executive "Steve Miller", real name Frank Chavez, sold a zero coupon CD with a maturity date of December 9, 2008, to Levi Strauss Employees FCU of San Francisco, California.

(2). Engaging in an unsafe and unsound practice by orally misrepresenting to federally insured credit unions the maturity periods of CD's in order to induce the credit unions to purchase CD's from SCFG.

The evidence indicates the following instances of oral misrepresentations of CD terms constituting unsafe and unsound practices by the respondents:

(a). On or about July 17, 1992, SCFG account executive Russ Fowler telephoned St. Croix FCU manager Howard Reynolds and offered to sell him what he represented to be a CD with a maturity date 18 months from the settlement date. Based on this representation, the credit union purchased the CD and later discovered when the written confirmation arrived from the custodian of the CD, that the true maturity date was July 21, 1997, five years from the settlement date.

(b). On December 16, 1992, SCFG account executive Bruce Carter telephoned Michelle Claremont, manager of CH2M Hill FCU of Corvallis, Oregon, regarding the potential purchase by the credit union of a CD. Claremont informed Carter that the credit union's investment policy prohibited investments with maturities exceeding one year. On or about January 5, 1993, Carter again called Claremont and solicited her to purchase two CD's with maturity periods of one year each. Claremont agreed to the purchase, wired the funds, and then discovered that the true maturity periods of the two CD's were actually four and six years respectively.

(c). In September, 1993, SCFG account executive Bruce Carter telephoned United Hospital Center FCU manager Delores Hunt and told her that he had some one-year CD's available. Hunt relied on Carter's oral representations and purchased three zero coupon CD's for the credit union between September and December, 1993. Carter orally represented each CD to have a term of one year. Two of the CD's turned out to have maturity periods of 8 years, while the remaining one turned out to have a maturity period of 15 years.

It constitutes an unsafe and unsound practice for a broker of bank deposits to orally misrepresent to federally insured credit unions the maturity periods of CD's in which they are investing.

(3). Engaging in an unsafe and unsound practice by misrepresenting the true name of account executive Frank Chavez to federally insured credit unions purchasing CD's from SCFG.

SCFG account executive Frank Chavez routinely misrepresented his name as being "Steve Miller" in his dealings offering to sell CD's to federally insured credit unions. Instances of his misrepresentations are as follows:

(a). In February of 1993 and June of 1994, Frank Chavez, falsely representing himself as "Steve Miller", sold two zero coupon CD's to Levi Strauss Employees FCU.

(b). In June, 1994, Frank Chavez, falsely representing himself as "Steve Miller", sold a CD to LAIRE FCU as a means to compensate the credit union for the loss of \$2,200 on a previously purchased CD.

The use of the false name by Chavez was sanctioned by SCFG. It is an unsafe and unsound practice for a broker of bank deposits to misrepresent his identity to federally insured credit unions.

(4). Engaging in an unsafe and unsound practice by attempting to place nonmember deposits with federally insured credit unions regardless of membership requirements, either without the permission of the depository credit unions or contrary to the expressed desire of the depository credit unions not to accept the deposits.

The evidence indicates that SCFGS has been soliciting federally insured credit unions to accept deposits from nonmember credit unions. Section 701.32(b) of NCUA's Rules and Regulations, 12 C.F.R. §701.32, limits the amount of public unit and nonmember deposits a Federal credit union can accept to 20% of the total shares of that credit union or \$1.5 million, whichever is greater. The evidence indicates that by soliciting Federal credit unions to accept nonmember deposits without regard for the amount of nonmember deposits already held by the credit union, the Respondents have engaged in an unsafe and unsound practice which could cause federally insured credit unions to violate NCUA Rules and Regulations by exceeding the limit on nonmember deposits. The evidence indicates the following acts:

(a). In July, 1995, Erik Fisher, an account executive at SCFGS, called Marta Fritzler, manager of Consumers Cooperative FCU of Alliance, Nebraska, regarding the credit union's willingness to accept two deposits of \$100,000 each from two credit unions. Fritzler never indicated her assent to this, but nevertheless she received a call shortly thereafter from a credit union requesting Consumers Cooperative FCU's routing number so that funds could be wired for deposit with the credit union. Fritzler refused the transaction. In September, 1995, she received another phone call from SCFGS, stating that they had \$500,000 to deposit and asking for the credit union's routing number for the wire transaction. Fritzler again refused the transaction.

(b). On August 2, 1995, Erik Fisher of SCFGS telephoned Irene Prochazka, manager of Box Butte Public Employees FCU of Alliance, Nebraska, regarding placing some deposits with the credit union. Ms. Prochazka expressed her concern about accepting nonmember deposits. In response, Fisher told her that these deposits were allowed by virtue of Section 701.32(b) of

NCUA's Rules and Regulations, a copy of which he faxed to her. Meanwhile, during the time that Prochazka was consulting with others regarding the situation, and before she indicated any willingness to accept the deposits, Fisher faxed to the credit union two "Funds Agreements" for signature by Prochazka. These agreements would have authorized the deposit of nonmember funds into this credit union. Prochazka refused to sign the documents, but during the ensuing weeks Fisher called regularly regarding nonmember credit unions placing deposits with Box Butte. Finally, later in August, Prochazka told Fisher that the credit union would not deal with him at all anymore. Despite this, later that same day the credit union received a faxed confirmation for a nonmember deposit. The credit union which was trying to place the deposit, Universal City Studios Credit Union, was told by SCFG personnel that the transaction had been arranged, and was therefore preparing to wire the funds to Box Butte Public Employees FCU.

Fisher's representation to Prochazka that she could accept these nonmember deposits based on Section 701.32(b) was misleading because the permissibility of accepting these deposits could only be determined by knowing the amount of total shares of the credit union as well as the total amount of all public unit and nonmember deposits already held by the credit union. Thus, Fisher's misleading representation could have caused the credit union to unwittingly violate Section 701.32(b).

Additionally, in both cases cited above, SCFGS attempted to place the nonmember deposits without the permission of the depository credit union or despite the expressed intent of the depository credit union not to accept the deposits. This is an unsafe and unsound practice which puts at risk the financial stability and security of both the depository credit union and the credit union placing the deposit.

B. In order to cooperate with NCUA and to avoid harsher administrative sanctions in the form of prohibition orders and civil money penalties, the Respondents hereby stipulate and agree that there is a reasonable factual basis for the above allegations and agree to the following terms in consideration of the forbearance of the NCUA from bringing notice of charges, conducting an administrative hearing and imposing other remedial sanctions.

2. Jurisdiction. The evidence indicates that Respondents are "institution-affiliated parties" within the meaning of Section 206(r) of the Federal Credit Union Act, 12 U.S.C. §1786(r). Pursuant to the authority vested in the NCUA Board under Section 206 of the Federal Credit Union Act, 12 U.S.C. §1786, and Section 747 of NCUA's Rules and Regulations, 12 C.F.R. §747, it is an appropriate Federal agency to maintain enforcement proceedings against Respondents. Therefore, Respondents are subject to the authority of the NCUA to initiate and maintain Cease and Desist proceedings against them.

3. Consent. Respondents consent to the issuance by the NCUA Board of the accompanying Cease and Desist Order. Respondents further agree to comply with the terms upon issuance and stipulate that the Order complies with all requirements of the law.

4. Waiver. Respondents waive their right to an administrative hearing provided in Section 206(e)(1) of the Federal Credit Union Act, 12 U.S.C. §1786(e)(1). They further waive their right

to seek judicial review of the Cease and Desist Order or otherwise challenge the validity or legality of the Order.

5. Finality. The Cease and Desist Order is issued pursuant to Section 206 of the Federal Credit Union Act, 12 U.S.C. §1786. Upon its issuance by the NCUA Board, it shall be a final order, effective and fully enforceable by the NCUA.

WHEREFORE, in consideration of the foregoing, the undersigned counsel on behalf of NCUA, and Respondents execute this Stipulation and Consent to Issuance of Cease and Desist Order.

NATIONAL CREDIT UNION ADMINISTRATION

By:_____

John K. Ianno

Senior Trial Attorney

Office of General Counsel

SAN CLEMENTE FINANCIAL GROUP, INC.

By:_____ Its _____

SAN CLEMENTE FINANCIAL GROUP SECURITIES, INC.

By:_____ Its _____

COOKE B.CHRISTOPHER

Cooke B.Christopher

THOMAS SUNDERLAND

Thomas Sunderland

ERIK FISHER

Erik Fisher