

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
BEFORE THE DIRECTOR OF THE DEPARTMENT
OF CONSUMER AND BUSINESS SERVICES

In the Matter of:

S-10-0006

**BANK WATCH;
MBS CLEARING;
DONNA A. WALLS; AND
LARRY D. EADY**

**FINAL ORDER TO CEASE AND
DESIST;
ORDER DENYING EXEMPTIONS; AND
ORDER ASSESSING CIVIL
PENALTIES**

Respondents

ENTERED BY DEFAULT

On March 11, 2010 the Director of the Department of Consumer and Business Services (hereinafter, the "Director") acting by the authority of ORS 59.005 to 59.451, 59.991 and 59.995 (the "Oregon Securities Law") and Oregon Administrative Rules Chapter 441 promulgated thereunder issued an "Order to Cease and Desist, Order Denying Exemptions, Order Assessing Civil Penalties, and Notice of Right to a Hearing" (the "Notice Order") against Bank Watch, MBS Clearing, Donna A. Walls, and Larry D. Eady.

On March 12, 2010 the Director duly served the Notice Order on Bank Watch by sending a certified true copy of the Notice Order by Certified United States Mail (item # 7007 3020 0000 3309 4592) and by First Class pre-paid mail to its last known address: 676 A Ninth Avenue #260; New York, New York 10036. All of those mailings were returned to the Director by the U.S. Post Office and marked "NOT DELIVERABLE AS ADDRESSED, UNABLE TO

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1 FORWARD."

2 On March 12, 2010 the Director duly served the Notice Order
3 on MBS Clearing by sending a certified true copy of the Notice
4 Order by Certified United States Mail (item # 7007 3020 0000
5 3309 4622 and item # 7007 3020 0000 3309 4585) and by First
6 Class pre-paid mail to its last known addresses: 1) P.O. Box
7 260190; Hartford, CT 06126-0190 and 2) P.O. Box 17193;
8 Wilmington, DE 19850-7193. The certified mailing sent to the
9 Hartford, CT address was returned to the Director by the U.S.
10 Postal Service and marked "BOX CLOSED DUE TO NON PAYMENT." The
11 first class mailing sent to the Hartford, CT address was
12 returned to the Director by the U.S. Postal Service with no
13 explanation. The certified mailing sent to the Wilmington, DE
14 address was returned to the Director by the U.S. Postal Service
15 and marked "Box Closed." The first class mailing sent to the
16 Wilmington, DE address was returned to the Director by the U.S.
17 Postal Service and marked "NOT DELIVERABLE AS ADDRESSED, UNABLE
18 TO FORWARD."

19 On March 12, 2010 the Director duly served the Notice Order
20 on Donna A. Walls by sending a certified true copy of the Notice
21 Order by Certified United States Mail (item # 7007 3020 0000
22 3309 4608) and by First Class pre-paid mail to her last known
23 address: 676 A Ninth Avenue #260; New York, New York 10036.
24 All of the mailings were returned by the U.S. Post Office to the
25 Director and marked: "NOT DELIVERABLE AS ADDRESSED, UNABLE TO
26 FORWARD."

1 On March 12, 2010 the Directors duly served the Notice
2 Order on Larry D. Eady by sending a certified true copy of the
3 Notice Order by Certified United States Mail (item # 7007 3020
4 0000 3309 4615) and by First Class pre-paid mail to his last
5 known address: 7528 Pershing Road Unit 179; Kenosha, Wisconsin
6 53142-4316. The certified mailing was returned to the Director
7 by the U.S. Postal Service and marked "NOT DELIVERABLE AS
8 ADDRESSED, UNABLE TO FORWARD." The first class mailing was
9 returned to the Director by the U.S. postal service and marked
10 "RETURN TO SENDER, Attempted - Not Known."

11 **NOW THEREFORE**, The Director, aware that the time period for
12 requesting a hearing has lapsed, hereby issues the following
13 Findings of Fact, Conclusions of Law, and Order.

14 **I. FINDINGS OF FACT**

15 The Director **FINDS** that:

16 **THE RESPONDENTS**

17 1. Bank Watch: Is a business with a last known
18 address of 676 A Ninth Avenue #260; New York, New York 10036.
19 Bank Watch is not in any way affiliated or associated with The
20 Bankwatch Group, Inc. a Delaware Corporation (File Number
21 2293474) formed on April 23, 1992.

22 At all times material herein, Bank Watch represented
23 itself to be a broker-dealer that offered and sold what it
24 claimed to be certificates of deposit that were insured by the
25 Federal Deposit Insurance Corporation (the "FDIC") to customers
26 ("Certificates of Deposit").





1 2. MBS Clearing: Is a business with last known
2 address of 1) P.O. Box 260190; Hartford, CT 06126-0190 and 2)
3 P.O. Box 17193; Wilmington Delaware 19850-7193. MBS Clearing is
4 not in any way affiliated with MBS Clearing Corporation, a
5 Delaware Corporation (File Number 08655561) formed on January 8,
6 1979.

7 At all times material herein, MBS Clearing held itself
8 out to be a depository institution that received deposits from
9 customers, including the Certificates of Deposit that were
10 offered and sold by Bank Watch.

11 3. Donna A. Walls: At all times material herein,
12 Donna Walls represented herself to customers to be an agent of
13 Bank Watch who sold Certificates of Deposit. Her last known
14 address is Bank Watch's address.

15 4. Larry D. Eady: Larry Eady deposited at least one
16 check into his own account that was paid to MBS Corporation by a
17 customer of Bank Watch and Donna Walls. Larry Eady's last known
18 address is 7528 Pershing Road Unit 179; Kenosha, Wisconsin
19 53142-4316.

20 **BACKGROUND**

21 5. At some point in time, but prior to June 1, 2005,
22 an Oregon resident (the "Oregon Resident") saw an advertisement
23 in a Salem, Oregon newspaper by Bank Watch that touted Bank
24 Watch's ability to offer the best rates on Certificates of
25 Deposit in the United States.

26 6. Certificates of Deposit are money deposits with a



1 banking institution that generally cannot be withdrawn for a
2 certain "term." In exchange, the banking institution pays an
3 interest rate that is typically higher than deposits that may be
4 withdrawn on demand - i.e. demand deposits. Generally, the
5 longer the term on a Certificate of Deposit the higher the
6 yield.

7 7. Certificates of Deposit are generally considered
8 risk free because they are insured up to a certain amount by the
9 Federal Deposit Insurance Corporation (the "FDIC"). FDIC
10 insurance is backed by the full faith and credit of the United
11 States government.

12 8. At some point after viewing the Bank Watch
13 advertisement, but prior to June 1, 2005, the Oregon Resident
14 contacted Bank Watch to inquire further. Donna Walls sent the
15 Oregon Resident a packet of information (the "Information
16 Package") that purportedly related to Bank Watch's Certificates
17 of Deposit. The Information Package included 1) a cover letter,
18 2) a rate sheet, 3) a master CD activation form, 4) a booklet,
19 and 5) a CD disclosure statement.

20 9. The following is a brief description of the
21 documents contained in the Information Package:

22 (a) Cover Letter - The cover letter was from Donna
23 Walls and on Bank Watch stationary. The letter instructed the
24 Oregon Resident to fill out the application and make the check
25 payable to the "processing institution." Included as examples
26 of "processing institutions" were LaSalle Bank, Wells Fargo,



1 Clearing Corporation, Capital One, and ING Direct. The letter
2 also included Donna Walls's purported direct phone number.

3 (b) The Rate Sheet - The rate sheet was also on Bank
4 Watch's stationary and from Donna Walls. It contained Term,
5 Interest, Rate and other information for approximately 34
6 Certificates of Deposit ranging from 1 year to 20 year terms.
7 The Rate Sheet contained the logo for the FDIC and stated
8 explicitly that the Certificates of Deposit were insured up to
9 \$100,000 per depositor. The Rate Sheet also directed the reader
10 to the FDIC website should the reader require more information
11 about the FDIC and FDIC Coverage.

12 (c) The Activation Form - The Activation Form was a
13 form for the Account Holders to provide their contact and other
14 identifying information and specify the amount and term of their
15 Certificate of Deposit.

16 (d) Booklet and CD Disclosure Statement - The Booklet
17 and CD Disclosure statement collectively set forth the terms and
18 conditions of a depositor's Certificate of Deposit. Among other
19 things, the forms noted that Bank Watch was acting as a broker-
20 dealer on the transaction, that each Certificate of Deposit was
21 an obligation of the depository institution (in this case MBS
22 Clearing), and that the Certificate of Deposit was insured by
23 the FDIC.

24 10. On June 1, 2005 the Oregon Resident and his wife
25 (the "Account Holders") purchased a Certificate of Deposit for
26 the benefit of a living trust that was in their names through



1 Bank Watch by completing the Master CD Activation form and
2 tendering a check that was made payable to MBS Clearing in the
3 amount of \$25,000. The Certificate of Deposit was for a 1-year
4 term with a maturity date of June 14, 2006 and paid a 4.18%
5 annual rate.

6 11. The Account Holders received monthly statements
7 that were purportedly from MBS Clearing. The monthly statements
8 provided inter alia the principal amount, current interest rate,
9 and maturity date of their account.

10 12. Each monthly statement consistently showed an
11 increase in the amount of the Account Holders' funds that were
12 purportedly on deposit at MBS Clearing. According to the June
13 14, 2006 monthly statement, the Account Holders had a principal
14 balance of \$26,065.25 in their account.

15 13. On June 16, 2006 the Account Holders rolled their
16 account over into a new Certificate of Deposit. The new
17 Certificate of Deposit purportedly paid a 5.45% interest rate.

18 14. In February 2007 Donna Walls sent a letter to the
19 Oregon Resident that stated that Bank Watch was under
20 investigation by the Federal Bureau of Investigation. The
21 letter further stated that she would not be allowed to discuss
22 the investigation, but implied that the Account Holder's
23 deposited funds were no longer available.

24 15. On March 12, 2007 the Oregon Resident sent a
25 letter to Donna Walls at the Bank Watch address inquiring about
26 the nature of the investigation and the location of his funds.



1 That letter was returned as undeliverable.

2 16. The Account Holders subsequently attempted to
3 contact Bank Watch and MBS Clearing at their known telephone
4 numbers. Those phone numbers were disconnected.

5 17. The March 12, 2007 letter was the last contact
6 the Account Holders had with any of the Respondents. As of the
7 date of this Order, the Account Holders have not received their
8 initial deposit of \$25,000 or any interest.

9 **THE INVESTIGATION BY THE DIVISION OF FINANCE AND**
10 **CORPORATE SECURITIES.**

11 18. On April 13, 2007, the Oregon Resident filed a
12 complaint with the Oregon Department of Justice (the
13 "Complaint"). That Complaint was forwarded to the Division of
14 Finance and Corporate Securities (the "Division"), which
15 subsequently opened an investigation. The Division is a
16 division of the Department of Consumer and Business Services.

17 19. As a result of the investigation, the Division
18 concluded that:

19 20. Neither Bank Watch nor Donna A. Walls was or is
20 licensed as a broker-dealer in Oregon.

21 21. MBS Clearing is not and has not been licensed as
22 a bank by the FDIC.

23 22. The FBI did not and does not have an
24 investigation into Bank Watch.

25 23. The \$25,000 check written to MBS Clearing by the
26 Account Holders was not deposited with a banking institution

1 that was regulated by the FDIC and the funds were not insured by
2 the FDIC. Instead the funds were deposited into an account in
3 the name of Larry Eady at TCF Bank, an affiliate of TCF
4 Financial Corporation in Minnesota. TCF Bank closed that
5 account in March 2007 because it was overdrawn. Neither MBS
6 Clearing, Bank Watch, Donna Walls were listed on the account.

7 24. The purported Certificates of Deposit and
8 guaranty were not registered as a security in Oregon and no
9 exemption from registration under ORS 59.025 and ORS 59.035 is
10 available.

11 II. CONCLUSIONS OF LAW

12 ORS 59.015 Definitions

13 25. The purported Certificates of Deposit acquired by
14 the Account Holders is in form and substance a "security" as
15 that term is defined in ORS 59.015(19)(a) because it is an
16 investment contract and/or a note.

17 26. The written statements that the Certificates of
18 Deposit were insured by the FDIC is a "security" as that term is
19 defined in ORS 59.015(19)(a) because it is a guaranty of a
20 security.

21 27. Bank Watch and Donna Walls are "broker-dealers"
22 as that term is defined in ORS 59.015 because they are persons
23 who engaged in effecting transactions in securities for the
24 account of others.

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1 **Violations of ORS 59.055**

2 28. Donna Walls and Bank Watch directly and MBS
3 Clearing and Larry Eady indirectly offered or sold securities in
4 Oregon without those securities first being registered under ORS
5 59.065 or filed under ORS 59.049.

6 29. Specifically, the securities that were offered
7 and sold to the Account Holders on or before June 2005 and on
8 June 16, 2006 - including the purported Certificate of Deposit
9 and accompanying guaranty - were not registered in Oregon.

10 **Violation of ORS 59.165**

11 30. Donna Walls and Bank Watch transacted business in
12 Oregon as a broker dealer without first being licensed in Oregon
13 in violation of ORS 59.165.

14 31. Specifically, Donna Walls and Bank Watch were not
15 licensed to offer or sell the purported Certificate of Deposit
16 and the accompanying guaranty in Oregon.

17 **Violations of ORS 59.135(2) and ORS 59.135(3)**

18 32. Donna Walls, Bank Watch, Larry Eady and MBS
19 Clearing directly or indirectly in connection with the purchase
20 or sale of a security 1) made untrue statements of material fact
21 or omitted to state a material fact necessary in order to make
22 the statements made, in light of the circumstances in which they
23 were made, not misleading, and 2) engaged in an act, practice or
24 course of business that operated as a fraud on the Account
25 Holders.

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1 59.995 hereby **ORDERS** the following **CIVIL PENALTIES**:

2 37. Bank Watch shall pay \$80,000 for its violation of
3 ORS 59.055; \$20,000 for its violation of ORS 59.165; \$100,000
4 for its continuing violation of ORS 59.135(2); and \$20,000 for
5 its violation of ORS 59.135(3) for a total of \$220,000.

6 38. Donna Walls shall pay \$80,000 for her violation
7 of ORS 59.055; \$20,000 for her violation of ORS 59.165; \$100,000
8 for her continuing violation of ORS 59.135(2); and \$20,000 for
9 her violation of ORS 59.135(3) for a total of \$220,000.

10 39. MBS Clearing shall pay \$80,000 for its violation
11 of ORS 59.055; \$100,000 for its continuing violation of ORS
12 59.135(2); and \$20,000 for its violations of ORS 59.135(3) for a
13 total of \$200,000.

14 40. Larry Eady shall pay \$80,000 for his violation of
15 ORS 59.055; \$100,000 for his continuing violation of ORS
16 59.135(2); and \$20,000 for his violation of ORS 59.135(3) for a
17 total of \$200,000.

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1 41. The **CIVIL PENALTIES** are due and payable in full
2 at the time of entry of the Order.

3 **IT IS SO ORDERED.**

4 Dated this 7th day of April, 2010 NUNC PRO TUNC March 11,
5 2010, in Salem, Oregon.

6
7 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
8 CORY STREISINGER, DIRECTOR

9
10 */s/David Tatman*
11 David C. Tatman, Administrator
12 Division of Finance and Corporate Securities

13 **NOTICE OF RIGHT TO APPEAL:** Any party adversely affected or
14 aggrieved by this order - including any respondent named in this
15 order - is entitled to seek judicial review of this order.
16 Judicial review may be obtained by filing a petition for review
17 with the Oregon Court of Appeals within sixty (60) days from the
18 service of the final order. Judicial review is pursuant to the
19 provisions of ORS 183.482 and ORS 59.305.

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