

1 **BEFORE THE DIRECTOR OF THE DEPARTMENT OF**
2 **CONSUMER AND BUSINESS SERVICES**
3 **DIVISION OF FINANCE AND CORPORATE SECURITIES OF THE**
 STATE OF OREGON

4 In the Matter of:

5 **STANLEY R. STEARNS and SAN**
6 **CLEMENTE SECURITIES,**

7 Respondents.
8 _____

) **No. A-00-0028**

) **ORDER TO CEASE AND DESIST**
) **AND ASSESSING CIVIL PENALTIES**
) **AND STIPULATIONS AND CONSENT**
) **TO ENTRY OF ORDER BY**
) **RESPONDENT STANLEY R.**
) **STEARNS**

9
10
11 **WHEREAS**, the Director of the Department of Consumer and Business
12 Services for the State of Oregon (hereafter the "Director"), acting by and pursuant
13 to the authority of Oregon Securities Law, Chapter 59 of the Oregon Revised
14 Statutes (hereinafter cited as ORS Chapter 59), and other applicable authority, has
15 a pending investigation into certain business activities conducted by the above
16 named Respondents **STANLEY R. STEARNS** and **SAN CLEMENTE SECURITIES**
17 (hereafter collectively referred to as "Respondents").

18 **WHEREAS**, Respondent Stanley R. Stearns (hereafter referred to as
19 "**STEARNS**"), without admitting or denying the allegations by the Director, wants to
20 avoid the time and expense of further investigation and an action by or before the
21 Director and desires to obtain disposition of the above captioned matter as to
22 **STEARNS** without invoking any rights to a hearing before the Director.

23 **WHEREAS,STEARNS** has acknowledged fully reading and understanding
24 the contents of this **ORDER TO CEASE AND DESIST AND STIPULATIONS AND**
25 **CONSENT TO ENTRY OF ORDER** (hereafter referred to as the "Order") and has
26 waived any right to a hearing with respect to this matter and to challenge or appeal

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1 this Order.

2 **WHEREAS, STEARNS** has consented to the jurisdiction of the Director for
3 the purpose of this Order and the issuance thereof.

4 **NOW, THEREFORE,** the Director hereby makes the following Findings of
5 Fact and Conclusions of Law, which **STEARNS** neither admits nor denies, and
6 issues the following Order, to which **STEARNS** has consented, as is evidenced by
7 the signature of **STEARNS** on the attached Stipulations and Consent to Entry of
8 Order.

9
10 **FINDINGS OF FACT**

11 The Director **FINDS** that:

12
13 1. Respondent **STANLEY R. STEARNS** (hereafter "Stearns") was, at
14 all times material herein, a broker-dealer salesperson in the employ of San
15 Clemente Securities. **STEARNS'** CRD number is #2465836. **STEARNS'** last
16 known address is 10866 Wilshire Boulevard, Los Angeles, California 90024.

17 2. Respondent **SAN CLEMENTE SECURITIES** (hereafter "San
18 Clemente") was, at all times material herein, a broker-dealer firm. The firm's CRD
19 number is #21895. **SAN CLEMENTE'S** last known address is 1031 Calle
20 Recodo, Suite B, San Clemente, California 92673.

21 3. David Y. Wilson (hereafter "Wilson"), an Oregon resident, was a
22 customer of **STEARNS** and **SAN CLEMENTE**.

23 4. American Savings Bank of Hawaii is, on information and belief, a
24 federally chartered banking institution.

25 5. **STEARNS** was licensed to sell securities as a broker-dealer
26 salesperson by the NASD (National Association of Securities Dealers).



1 **STEARNS** has never been licensed to sell securities by the State of Oregon.

2 6. **SAN CLEMENTE** was licensed to sell securities as a broker-dealer
3 by the State of Oregon during 1998 and 1999.

4 7. Wilson, an eighty seven year old Oregonian, purchased three
5 certificates of deposit in various amounts from **SAN CLEMENTE** in 1988.

6 8. In September, 1999 Wilson was interested in purchasing another
7 certificate of deposit, this time in the amount of one hundred thousand
8 (\$100,000.00) dollars.

9 9. Wilson discussed the possible purchase of the certificate of deposit
10 with **STEARNS** over the telephone. During these telephone conversations,
11 Wilson was a resident of and was physically located in the State of Oregon.

12 10. **STEARNS** and Wilson discussed such matters as the duration of
13 the certificate and the interest rate the certificate would bear. However, at no
14 point in time did the parties discuss the amount of the certificate after Wilson
15 initially mentioned that it was to be in the amount of one hundred thousand
16 (\$100,000) dollars. In addition, at no point in time did the parties discuss whether
17 or not the certificate would have a commission attached to it and, if so, what the
18 amount of that commission would be.

19 11. At no point in their discussions did **STEARNS** tell Wilson that he
20 was not licensed to sell securities in the State of Oregon and, in point of fact, had
21 never held an Oregon securities license.

22 12. **STEARNS** did not present Wilson with any writings to explain or
23 memorialize the terms of the purchase prior to the date of purchase.
24 Furthermore, Wilson was not asked to complete documentation prior to the
25 purchase that could stand as evidence of his knowlege of the exact terms of the
26 transaction, including the existence of a commission and the amount of a

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1 commission.

2 13. After much discussion, Wilson finally consented to purchase what
3 he thought was a one hundred thousand dollar (\$100,000) five (5) year
4 certificate paying interest at the rate of six and three quarters percent (6.75%)
5 per annum, with interest payments to be made on a monthly basis.

6 14. Wilson followed instructions and mailed a bank check (#6691) in
7 the amount of one hundred thousand dollars (\$100,000) dated September 27,
8 1999 to **SAN CLEMENTE**.

9 15. **STEARNS** purchased a ninety five thousand dollar (\$95,000) five
10 year certificate of deposit issued by the American Savings Bank of Hawaii
11 (certificate #01-0671469) with a maturity date of September 7, 2004 and an
12 effective yield of six and three quarters percent (6.75%) per annum for Wilson.

13 16. Wilson expected routine written confirmation of this simple
14 transaction to follow. Instead, he received a telephone call from **SAN**
15 **CLEMENTE** stating that "we are returning a few dollars to you." It was only after
16 receipt of the "refund" did Wilson learn that a certificate of deposit that he
17 assumed was in the amount of one hundred thousand dollars (\$100,000) was
18 actually only in the amount of ninety five thousand dollars (\$95,000).

19 17. Equally disturbing to this investor was the fact that **SAN**
20 **CLEMENTE** had charged him a commission of two thousand two hundred eighty
21 eight dollars and eighty one cents (\$2,288.81) for the purchase of a single
22 certificate of deposit. Wilson would never have entered into the purchase if he
23 had known there was any commission, not to mention one of this size, when he
24 could easily have obtained a no commission CD at any bank or financial
25 institution.

26 18. Although all activities described above occurred while **STEARNS**



1 was in the exclusive employ of **SAN CLEMENTE, STEARNS** is now employed
2 by Interfirst Capital Corporation.

3
4 **CONCLUSIONS OF LAW**

5
6 The Director **CONCLUDES** that:

7
8 1. The certificate of deposit issued by American Savings Bank of
9 Hawaii which was offered and sold by **STEARNS** and **SAN CLEMENTE**
10 **SECURITIES** is a "security" as defined in ORS 59.015(19)(a).

11 2. **STEARNS** transacted business in this State as a broker-dealer
12 salesperson without being properly licensed as such in violation of ORS 59.165
13 (1).

14 3. **SAN CLEMENTE** transacted business in this State as a broker-
15 dealer via an unlicensed broker-dealer salesperson in violation of ORS 59.165
16 (3).

17 6. **SAN CLEMENTE**, in connection with the purchase or sale of a
18 security, made untrue statements of a material fact and/or *omitted to state a*
19 *material fact necessary in order to make the statements made, in the light of the*
20 *circumstances under which they were made, not misleading* in violation of ORS
21 59.135 (2) when it failed to clearly inform Wilson that his purchase of a
22 Certificate of Deposit was to be in the amount of ninety five thousand dollars
23 (\$95,000) and not, as he requested, one hundred thousand dollars (\$100,000);
24 when it failed to clearly inform Wilson that the purchase would have a
25 commission attached to it; and when it failed to tell Wilson the exact amount of
26 said commission.



ORDER

Therefore, the Director **ORDERS**

1. That **STEARNS** and **SAN CLEMENTE** shall cease and desist from offering and/or selling securities to persons in the State of Oregon in violation of ORS Chapter 59 or OAR Chapter 441.


2. That Respondent **STEARNS** is ordered to pay the sum of Two Thousand Five Hundred Dollars (\$2,500.00) as a civil penalty for violations described herein, said payment to be made no later than September 30, 2000.

3. That Respondent **SAN CLEMENTE SECURITIES** shall pay the sum of Ten Thousand Dollars (\$10,000.00) as a civil penalty for violations described herein.

IT IS SO ORDERED.

Entry of this Order in no way limits or prevents further remedies, sanctions, or actions which may be available to the Director under Oregon law to enforce this Order, for violations of this Order, for conduct or actions of Respondents which are not covered by this Order, or against any party not covered by this Order.

Dated this 28th day of September, 2000 at Salem, Oregon.


MARY NEIDIG, DIRECTOR
DEPARTMENT OF CONSUMER & BUSINESS SERVICES
STATE OF OREGON

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1 APPROVED AS TO FORM:

2 David T. Weiss

Dated: 10-1-00

3 David T. Weiss
4 Securities Compliance Officer
5 Division of Finance and Corporate Securities
6 Department of Consumer and Business Services
7 State of Oregon

8 Stanley R. Stearns

Dated: 9-18-2000

9 **STIPULATIONS AND CONSENT TO ENTRY OF ORDER BY**
10 **RESPONDENT STANLEY R. STEARNS**

11 I, **STANLEY R. STEARNS**, having been duly sworn, hereby states the
12 following:

13 I **CONSENT** to the jurisdiction of the Director of the Department of
14 Consumer and Business Services, State of Oregon (hereafter referred to as the
15 "Director") for the purpose of the issuance and entry by the Director of the **ORDER**
16 **TO CEASE AND DESIST** (hereafter referred to as the "Order") stated above.

17 I **HAVE FULLY READ AND UNDERSTOOD** the contents of the Order and
18 hereby **CONSENT**, voluntarily and without any force or duress, to the issuance and
19 entry of the Order without admitting or denying the Findings of Fact and
20 Conclusions of Law stated therein.

21 I **ACKNOWLEDGE** having been fully advised of the right to a hearing and
22 hereby **WAIVE** any such right and all rights to challenge or appeal the Order. I
23 **AGREE** to pay all attorney fees and costs incurred by the Director in any
24 proceeding for enforcement of the Order and on any appeal thereof.

25 I **REPRESENT** and **WARRANT** that I, nor any agent or representative, will
26 effect securities transactions in Oregon or with Oregon residents unless and until
such activities are in full compliance with the Order, ORS Chapter 59, Chapter 441
of Oregon Administrative Rules (hereafter cited as "OAR Chapter 441"), and every
other applicable provision of Oregon Securities Law.

I **ACKNOWLEDGE** and **UNDERSTAND** that a violation of the Order will
potentially subject me to other action by the Director.

I further **ACKNOWLEDGE** and **UNDERSTAND** that issuance of the Order
in no way limits or prevents the Director from taking action or seeking sanctions or
remedies which may be available to the Director under Oregon law against any
other party or against Baxter and/or me for conduct or actions not covered by this
Order or to enforce the Order.

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1 I further **ACKNOWLEDGE** and **UNDERSTAND** that I had the opportunity to
consult with counsel of my choosing.

2 I further **ACKNOWLEDGE** and **UNDERSTAND** that this Order and
3 Stipulation and Consent to Entry of Order is a public document.

4 *Stanley R Stearns*
STANLEY R STEARNS

Dated: 9-19-2006

5
6 State of CA) ss.

7 County of Orange)

8 **SUBSCRIBED AND SWORN TO** voluntarily before me this 19 day of
Sept., 1999, by **STANLEY R STEARNS**, an individual.

9
10 *Charles Fraser*
11 Charles Fraser (Print)

12 Notary Public for the State of Calif.

13 My commission expires: 12-20-2003

