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

In the Matter of
Cease-and-Desist Order of
Waterside Federal Credit Union Respondent.

ORDER APPROVING CONSENT TO CEASE AND DESIST
AND PAY A CIVIL MONEY PENALTY

WHEREAS, Waterside Federal Credit Union has executed a Stipulation and Consent Cease and Desist and Pay a Civil Money Penalty (Stipulation and Consent) pursuant to Section 206 of the Federal Credit Union Act and;

WHEREAS, the Board of the National Credit Union Administration (Board) has considered the terms and conditions agreed to in the Stipulation and Consent; NOW THEREFORE, IT IS ORDERED THAT:

1. The Board has jurisdiction over Waterside Federal Credit Union pursuant to Section 206(r) of the Federal Credit Union Act.
   1. The Stipulation and Consent dated June 22, 1998 is approved and is incorporated into this Order by reference.
   2. The effective date of the Order is June 22, 1998.

FOR THE NATIONAL CREDIT UNION ADMINISTRATION BOARD

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Date BY: Becky Baker
Secretary of the Board
UNITED STATES OF AMERICA

NATIONAL CREDIT UNION ADMINISTRATION

NATIONAL CREDIT UNION ADMINISTRATION BOARD

In the Matter of

Cease-and-Desist Order of

Waterside Federal Credit Union

Respondent.

98-0601-1-(June 22, 1998)

STIPULATION AND CONSENT TO CEASE AND DESIST

AND CIVIL MONEY PENALTY

The National Credit Union Administration Board ("NCUA Board"), by and through its undersigned counsel, and Waterside Federal Credit Union ("Credit Union") hereby stipulate and agree as follows:

1. Consideration. The NCUA is of the opinion that grounds exist to initiate an administrative cease and desist action against Credit Union pursuant to Section 206 of the Federal Credit Union (FCU) Act, 12 U.S.C. §1786. Credit Union, without admitting that said grounds exist (except those set forth as to jurisdiction in paragraph 2), desires to avoid the time, cost and expense of administrative litigation. Accordingly, Credit Union consents to this Stipulation and subsequent issuance by NCUA Board of Cease and Desist Order ("Order").

2. Jurisdiction.

1. Credit Union is an "institution" within the meaning of the FCU Act, 12 U.S.C. §1786(r).

(b) Pursuant to the authority vested in the NCUA Board under Section 206 of the FCU Act, 12 U.S.C. §1786, and Part 747 of the NCUA Rules and Regulations, it is an appropriate Federal agency to maintain enforcement proceedings against such institution. Therefore, Credit Union is subject to the authority of the NCUA to initiate and maintain proceedings against it.

3. Consent. Credit Union consents to the issuance by the NCUA Board of the accompanying Cease and Desist Order. Pursuant to the Federal Credit Union Act, the Credit Union consents to the following terms and conditions:

1. Cease all expense payments to members of the board, supervisory and credit committees and the manager except compensation and fully accountable expenses.

2. Within thirty days of this Agreement, retain a certified public accounting firm, acceptable to the NCUA, to review and document all payments made to officers, directors, employees and former employees as "expenses", compensation (applies to board of directors, supervisory and credit committee members), reimbursements or payments made to credit card companies or other parties on behalf of any officer, director, employee or former employee. Specifically, the certified public accounting firm will be engaged to:
1. Prepare statements that the credit union will use to issue amended W-2 or IRS Form "1099" statements reflecting the above expense, compensation or reimbursement payments for each tax year the payments were received by the officer, director, employee or former employee.

2. Prepare an itemized statement of all payments made to credit card companies or other parties on behalf of any officer, director, employee or former employee.

3. Interview all current and former officers, directors and employees that received payments made under subparagraph b2 to determine whether the payments were related to credit union or personal purchases and if they were for personal purchases, whether the credit union has been reimbursed by the officer, director or employee, when the reimbursement took place and the source and means of the reimbursement.

4. If the payments were for personal purchases and were not reimbursed, the final report will highlight and itemize those payments.

5. Complete the review and interviews and issue its report ("CPA Report") to the Credit Union within sixty days of the engagement.

c. Acting upon the findings of the CPA Report and NCUA, the credit union will:

1. Issue amended W-2 or IRS Form "1099" statements to the Internal Revenue Service and appropriate tax authorities for each tax year identified in the CPA Report prepared by the certified public accountant within twenty days of receiving the report.

2. Make a written demand for reimbursement of all personal purchase payments itemized in the CPA Report within ten days of receiving the report and hire competent legal counsel, if necessary, to obtain that reimbursement.

3. Within twenty days of receiving the CPA Report, prepare a "Suspicious Activity Report" for all personal payments and any other suspicious activities identified in the report and mail it to FinCen Detroit Computing Center, P.O. Box 33980, Detroit, MI 48232.

1. Pay a civil money penalty of $7500 to the "United States Treasury" for alleged violations of the Federal Credit Union Act within fifteen days of signing this Consent and Stipulation by check delivered to the NCUA Office of General Counsel.

4. Waivers. Credit Union waives its right to an administrative hearing to this Cease and Desist Order as provided for in Section 206 of the FCU Act, 12 U.S.C. § 1786. They further waive their right to seek judicial review of this Cease and Desist Order or otherwise challenge the validity or legality of this Order.

5. Finality. The Cease and Desist Order will be issued pursuant to Section 206 of FCU, 12 U.S.C. § 1 786. 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, on behalf of the NCUA, Credit Union execute this Stipulation and Consent to Cease and Desist Order and Civil Money penalty.

Dated this 22nd day of June 1998.

By: ____________________ By: ____________________

Richard S. Schulman President of the Board
Trial Attorney, Office of Waterside Federal Credit Union
General Counsel, National
Credit Union Administration