

STATE OF CALIFORNIA

DEPARTMENT OF BUSINESS OVERSIGHT

In the Matter of)	
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)	
BAKERY EMPLOYEES)	
CREDIT UNION,)	
)	FINAL ORDER
Respondent.)	(Financial Code Section 580)
_____)	

Pursuant to section 580 of the Financial Code, the Commissioner of Business Oversight of the State of California (Commissioner) orders as follows:

1. Bakery Employees Credit Union (Respondent) shall commence a search to identify a merger partner who is acceptable to the Commissioner. Within thirty (30) days of the date of this Order and within ten (10) days after the end of each month thereafter, Respondent shall furnish a written progress report to the Commissioner and the Regional Director of the National Credit Union Administration (Regional Director). The report shall document in detail the due diligence of Respondent's search.

2. (a) Respondent shall retain management and maintain a Board of Directors (Board) acceptable to the Commissioner. Such management shall include, at a minimum, a person (or persons) who has the proven ability to manage a credit union of comparable size and experience in developing sound credit administration and credit underwriting practices and procedures, improving earnings, and other matters needing particular attention; and who has the appropriate accounting and credit union operations skills that are necessary to resolve Respondent's accounting and internal control issues; and who has significant experience in lending, collection, and loan supervision. Such person (or persons) shall be qualified to restore Respondent to a sound condition, operate Respondent in a safe and sound manner, comply with the provisions of this Order, and comply with applicable laws and regulations. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) Without limiting the generality of the foregoing, the Commissioner reserves the right to determine whether present members of management of Respondent are acceptable.

(c) Respondent shall notify the Commissioner and the Regional Director within thirty (30) days after adding, electing or appointing any member to its Board or committees.

(d) Respondent shall not employ management officers without the prior written approval of the Commissioner and the Regional Director.

3. (a) Within thirty (30) days of the date of this Order, Respondent shall commence, and within sixty (60) days of the date of this Order, Respondent shall have completed corrective actions to address all accounting and internal control deficiencies related to the general ledger account balances that were identified in the examination dated March 31, 2015. Respondent shall assess management's qualifications to adequately resolve these deficiencies and ensure that the management team includes persons with the requisite qualifications to perform the required corrections and accounting procedures on an ongoing basis. Such actions shall be in a form and manner satisfactory to the Commissioner and the Regional Director as determined at subsequent examinations and/or visitations.

(b) Within ninety (90) days of the date of this Order, Respondent shall engage a qualified independent third party, other than Respondent's current external auditor, to obtain an opinion audit to validate the reconciliation of the general ledger accounts for Catalyst Corporate Credit Union and Money Gram for the periods beginning 12/31/2013 and continuing to the current month at time of reconciling. A copy of the audit shall be submitted to the Commissioner and the Regional Director upon completion.

(c) Respondent shall maintain current and properly documented general ledger account reconciliations on a monthly basis going forward.

4. (a) The supervisory committee shall ensure the development and maintenance of a monthly progress report on all concerns noted in regulatory examination reports and independent audits. At a minimum, the report shall address:

- (i) Each examination or audit finding noted;
- (ii) Management's response and plan for resolution of such findings;
- (iii) Target completion dates to resolve the findings;
- (iv) Person(s) responsible for executing management's plan for resolution; and
- (v) Confirmation of completion of the resolution of each examination or audit finding.

(b) The supervisory committee shall provide the monthly progress reports to the Board at least quarterly. The adequacy of such reports shall be satisfactory to the Commissioner and the Regional Director as determined at subsequent examinations and/or visitations.

5. (a) The Board shall ensure that management maintains a list of all of Respondent's vendors. At a minimum, the list shall include:

- (i) A description of the service provided by each vendor;
- (ii) The level of importance of each vendor's service to Respondent's business; and
- (iii) Identification of the vendors that provide critical services to Respondent.

(b) Within sixty (60) days of the date of this Order, Respondent shall perform and document due diligence on all vendors identified as critical, and annually thereafter. Such actions shall be in a form and manner satisfactory to the Commissioner and the Regional Director as determined at subsequent examinations and/or visitations.

6. Within sixty (60) days of the date of this Order, Respondent shall develop, adopt, and submit a revised strategic plan and budget, documenting specific actions to be taken, the assumptions made, and the timeframes necessary to achieve profitability with a benchmark of 0.1% of total assets for each quarter in years 2015 and 2016. Such plan and its implementation shall be satisfactory to the Commissioner and the Regional Director as determined at subsequent examinations and/or visitations.

At a minimum, the plan shall include the following:

- (a) Loan growth by type and interest rate;
- (b) Increased quality control to ensure the loan growth is consistent with current policy and the credit union's loss reserves;
- (c) Anticipated provisions for loan loss expense;
- (d) Reduced operating expenses by amount and category;
- (e) Fee income by type and amount;
- (f) Specific quarterly performance benchmarks, minimally to include return on assets, operating expenses and net worth; and
- (g) Contingency plans in the event the above goals are not met, including trigger points for specific actions.

7. Within thirty (30) days after the date of this Order and within twenty (20) days after the end of each month thereafter, Respondent shall furnish a written progress report to the Commissioner and the Regional Director. The report shall set forth the following in detail:

- (a) Actions taken to comply with each section of this Order;
- (b) The results of those actions;
- (c) A description of actions remaining to be accomplished in order to achieve full compliance of each section of this Order; and
- (d) Financial statements, Board minutes, and delinquency schedules with the allowance for loan loss calculation.

This Order is effective immediately and supersedes and replaces the Letter of Understanding dated December 9, 2014. Violation of any provision of this Order may be deemed to be conducting business in an unsafe manner, and may subject Respondent to further regulatory enforcement action. The Commissioner reserves the right to amend, revoke or rescind this Order in whole or in part. All reports and other documents required to be submitted to the Commissioner by this Order shall be encrypted and sent by secure email or as an attachment to a secure email in an electronic format compatible with the Department of Business Oversight's electronic system to the following email address: cuexam.responses@dbo.ca.gov.

Dated: October 15, 2015.

_____/s/_____
Jan Lynn Owen
Commissioner of Business Oversight