

STATE OF CALIFORNIA

DEPARTMENT OF BUSINESS OVERSIGHT

In the Matter of )  
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MUSICIANS' INTERGUILD CREDIT UNION ) FINAL ORDER  
 ) (Financial Code section 580)  
Respondent )  
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Pursuant to section 580 of the Financial Code, the Commissioner of Business Oversight of the State of California (Commissioner) orders:

1. (a) Musicians' Interguild Credit Union (Respondent) shall retain management and maintain a Board of Directors (Board) acceptable to the Commissioner. Respondent's management shall include, at a minimum, a chief executive officer, a chief operations officer, a controller, and a chief lending officer qualified to restore Respondent to a sound condition, operate Respondent in a safe manner, comply with the provisions of this Order, and comply with applicable laws and regulations. The chief executive officer shall have 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. The controller shall have appropriate accounting and credit union operations skills. The chief lending officer shall have significant experience in lending, collection, and loan supervision. 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 the present members of Respondent's management, Board, or supervising committee are acceptable.

(c) Respondent shall not add, elect, nominate for election, or appoint anyone to the Board, any of its committees or as its credit manager, or hire any senior management officers (vice president and above), without the prior written approval of the Commissioner.

2. (a) Within thirty (30) days of the date of this Order, Respondent shall submit a list of three independent professional consultants (Independent Consultants) to the Commissioner for approval. Within sixty (60) days of the date of this Order, Respondent shall contract with one of the approved Independent Consultants to conduct a review of the composition, structure, and effectiveness of Respondent's current executive officers (Independent Review) and to prepare a written report (Independent Report) containing the findings, conclusions, and any recommendations for management or operational

changes. Respondent's executive officers shall not participate in the selection of the Independent Consultants. The primary purpose of the Independent Review is to facilitate the maintenance of an executive-officer structure that is adequately staffed by qualified individuals and commensurate with Respondent's size and risk profile.

(b) The terms of engagement for the selected Independent Consultant shall require that the Independent Report be submitted directly to each member of the Board except for any compensated employee serving on the Board and to the Commissioner within ten (10) days of completion of the Independent Review and no fewer than ten (10) days before the Board meeting immediately following completion of the Independent Review.

(c) At a minimum, the Independent Review shall include an evaluation and assessment of Respondent's:

- (i) Chief Executive Officer, Chief Operating Officer, Controller, and Chief Lending Officer, to determine whether the individual possesses the ability, experience, and qualifications to perform present and anticipated duties, including the ability to adhere to applicable credit union laws and regulations and internal policies and procedures, to maintain Respondent in an overall safe and sound condition, and to implement the requirements of this Order;
- (ii) the composition and effectiveness of the current executive officer team and management structure to implement the policies, strategies, goals, and plans established by the Board;
- (iii) the risk-management function focusing particularly on oversight, reporting and controls of credit exposures by credit type;
- (iv) management information reports, to ensure they are prepared in an accurate, complete, and timely manner as well as in a format to provide the Board, and committees thereof, sufficient information to allow for appropriate oversight of Respondent, consistent with Respondent's policies, strategies, goals, and plans, and in accordance with safe and sound credit union practices and applicable laws and regulations; and
- (v) the appropriateness of each senior executive officer's compensation in light of the results of the Independent Review. The senior executive officers include the chief executive officer, chief operating officer, controller, and chief lending officer.

(d) Respondent shall maintain a copy of the Independent Review in each senior executive officer's personnel file.

(e) Within sixty (60) days after receipt of the Independent Report, the Board shall submit to the Commissioner a written plan that takes into account the recommendations contained in the Independent Report to strengthen Board oversight of management and the operations of Respondent. The plan shall, at a minimum, address:

- (i) retention of qualified management;
- (ii) quality of management reports used by the Board to identify key risks and emerging issues, and provide sufficient oversight and monitoring of management; and
- (iii) quality of the risk-management function focusing particularly on oversight, reporting and controls of credit exposures by credit type.

3. Respondent shall preserve the written representations which were obtained pursuant to the December 2012 Final Order. Pursuant to the December 2012 Final Order, these were obtained from three credit unions and are the credit unions' written non-binding good faith representations that they would be able and willing to merge Respondent with and into themselves.

4. Within thirty (30) days of the date of this Order, Respondent shall submit to the Commissioner a plan for each loan on which property tax payments are delinquent, which plan shall include definitive actions and deadlines for action based on the timelines and characteristics of such loan, and which actions shall be outlined through the borrower bringing tax payments current or foreclosure by Respondent. The plan shall be acceptable to the Commissioner. Respondent shall comply with its plan for each loan unless otherwise approved by the Commissioner in writing, or under an amendment to the plan approved in writing by the Commissioner.

5. Within thirty (30) days of 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. The progress 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; and
- c) a description of actions remaining to be taken to achieve full compliance with each paragraph of this Order.

This Order is effective immediately. Respondent shall be deemed to be conducting its business in an unsafe and unsound manner if it materially violates or materially fails to comply with any provision of this Order, which will subject Respondent to further regulatory enforcement action. The Commissioner may at any time amend (in accordance with Financial Code section 580), suspend, terminate 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](mailto:cuexam.responses@dbo.ca.gov).

Dated: October 2, 2015.

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Jan Lynn Owen  
Commissioner of Business Oversight