



68th
Annual Meeting



**Local Service.
Global Reach.**

2019
Annual Report
Friday, February 14, 2020
Houston, Texas

68th Annual Meeting

February 14, 2020

*5:30 p.m.
Social Hour*

*6:30 p.m.
Dinner*

*7:15 p.m.
Business Meeting*

Marriott Houston Westchase Hotel
Rose Garden Room
2900 Briarpark Drive at Westheimer
Houston, TX 77042

Agenda

- I. Call Meeting to order and ascertain a quorum present
- II. Minutes of 2019 Annual Meeting
- III. Reports
 - a) Chairman's Report
 - b) Treasurer's Report
 - c) Credit Committee Report
 - d) Audit Committee Report
 - e) Membership Report
 - f) President/CEO's Report
- IV. Old Business
- V. New Business
- VI. Election of New Directors
 - a) Nominating Committee Report
 - b) Nominations from the floor
- VII. Moment of Silence to remember deceased members
- VIII. Door Prizes
- IX. Adjournment

Minutes of 2019 Annual Meeting

The 67th Annual Dinner Meeting of the CTECU-serving employees of Chevron Corporation was held on Friday, February 15, 2019; at the Houston Marriott Westchase Hotel, Houston, Texas.

A cocktail hour at 5:30p.m. and dinner at 6:30p.m. preceded the Business Meeting, which was **called to order** by Chairman, Michael Beard at 7:32p.m.

Chairman Beard **declared a quorum of members present** since more than 25 members were in attendance. There were 48 members and 2 guests among the 50 attendees.

Chairman Beard **introduced those Directors in attendance:**

Mike Jung, Vice-Chairman; **John Hanten**; **Jackie Kapalski**; **Wanda Stephanow**, and **himself** as Chairman. **Absent were:** Bill Alvarez, Gary Cohen, Melissa Hinch, and Jim Thacker (who replaced David Whiteside).

Chairman Beard **introduced Audit Committee members present:** Joan Kelly, (chair), Janice Rogers, and Pat Whitnel, members of Audit Committee. Another committee member not present was Sharon Savage.

Chairman Beard **introduced Credit Committee members present:** Wanda Reves, Chairwoman of Credit Committee. Other committee members not present are Mark Burnside and Keith Holfus.

Chairman Beard **called for a reading of the 2018 Annual Meeting Minutes** by Mike Jung, then Acting Secretary. Robert Nelson moved, and Chuck Edwards seconded the motion to dispense with the reading of the minutes from last year's annual meeting. All attendees received a written copy of last year's annual meeting minutes with their annual report booklet. Motion passed by unanimous vote with no dissenting votes.

Chairman Beard gave his **Chairman's report for 2018**, written report found in annual report booklet. Chairman Beard asked the audience for any recommendations for additional services or products that they might want to see at CTECU.

Chairman Beard called on Mike Jung to give **Gary Cohen's Treasurer's report** in Treasurer's absence, details of which are found in the annual report booklet.

Chairman Beard called on **Wanda Reves** to give the **Credit Committee report**. Complete report found in the annual meeting booklet.

Chairman Beard called on **Joan Kelly** to give the **Audit Committee Report for 2018**, details of which are found in the annual report booklet.

Chairman Beard reported that the **Membership Report** could be found in annual report booklet.

Chairman Beard called on **President/CEO Kapalski** to **introduce her staff** and **give her President/CEO's report**. Details of reports are found in annual report booklet.

President/CEO Kapalski introduced the Office Staff: Anita Woolley, EVP-CFO; Sara Cantu, EVP-COO; Delia Martinez, Branch Manager/Loan Officer; Cassandra Gibbs, Member Service Representative (MSR) and herself as President/CEO. *President Kapalski also introduced Ann Laufman and Joseph Tyler Foxworth of ALA Financial Group.*

Chairman Beard called for **Old Business** from the floor. There was no Old Business from the previous year.

Chairman Beard then called for **New Business other than Elections**. There was none.

Chairman Beard then called for **New Business involving Election of New Directors** to fill a **total of three positions** consisting of three positions on the Board with three expiring 3-year terms.

Chairman Beard called upon **Wanda Reves** to give the Nominating Committee report. **Bill Alvarez, John Hanten, and Jim Thacker** [completing the **1-year term** of David Whiteside's 3-year term] have **expiring 3-year terms** this year.

The Nominating Committee recommends the following candidates for the three 3-year terms expiring February 2019: Bill Alvarez, John Hanten, and Jim Thacker.

Nominations from the floor were requested *three* times by Chairman Beard. Charlie Chernoff made the motion and Chuck Michlik seconded the motion to close the nominations and the nominees be elected by acclamation. Motion carried unanimously.

There are some vacancies on the committees that will be appointed at the organizational meeting.

Chairman Beard called for a **moment of silence** to remember deceased members.

Chairman Beard asked the membership for comments/concerns about our Services and Products.

Business being finished, Chairman Beard requested President Kapalski to assist with the **Door Prize drawings**.

Gerald Rush moved, and Gerlene Gardner seconded the motion to adjourn the meeting. Motion carried. The meeting adjourned at 8:25p.m.

Michael Beard
Chairman

Wanda Stephanow
Secretary

Reports

Chairman's Message

Welcome to the 68th annual meeting of CTECU. I want to thank you for being here, and I applaud you for being truly connected member-owners.

I want to first recognize my fellow board members for their leadership, dedication, and passion for this credit union. The strength of their commitment is key to our long-term sustainability and prosperity. And to our members, I'm greatly humbled by the trust you've placed in us. As a united body of leadership, we are responsible for ensuring that we have a competent, qualified, and trustworthy management team, and I can say unequivocally that we do.

As a financial cooperative, we understand that we can most effectively serve you and strengthen the credit union movement by engaging in the vast network of organizations and service groups available. For instance, participation in our local chapter of credit unions allows us to benefit from the training, tools, and resources available through our trade association, the Cornerstone Credit Union League, whose purpose is to support our endeavors and, by extension, our members.

As you can see in the Annual Report, CTECU performed well in fiscal year 2018-2019. Some of the highlights of that report include:

- I'm very pleased to announce that again this year CTECU is a well-capitalized financial institution, with a strong net worth ratio of 19.23 percent. To put that in perspective, a net worth position above 7 percent is considered well capitalized by our regulators.
- As our CEO will note in her address, membership at CTECU now stands at 1,604, representing a decrease of 62 members over 2018.
- The Board increased dividends to the members by 32% from 2018 dividends.
- In total, our 1604 members have added more than \$9,219,855 to their savings accounts. When we see people putting money away for the future, we hope our efforts to enhance the financial literacy of our members have contributed to this increase.
- You, the member-owners of this institution, have borrowed more than \$2,892,449, which added more than 78 new loans in fiscal year 2019 and reflects the continued optimism in our economy and trust in your credit union.
- CTECU delinquencies remain low at 0.30 percent. This is a reflection of two things: the competitive rates we're able to offer and your strong commitment to honoring your financial obligations.
- Favorable interest rates and a strengthening economy motivated many of you to buy new or previously owned vehicles. In fiscal year 2018-2019, CTECU wrote 50 auto loans worth more than \$1,527,846.
- CTECU hosted two Lunch and Learn seminars with ALA Financial at Wedge Tower during 2019:
 - "How to Prepare for an Employment Transition" on October 17th

- “Envisioning Your Retirement” on October 24th
- CTECU also participated in two Chevron Health Fairs:
 - Briarpark on October 8th
 - Downtown on October 9th

Every organization must evolve to better meet the challenges of the era we live in. With that in mind, we have made an important change to our bylaws. Based on eliminating the word “written” from Section 5.04(b) of the Bylaws in regard to meetings by telephone, the CTECU board of directors elected to *amend our Bylaws to clarify this issue*. We did this, as always, with our member-owners in mind, and we're excited about the positive effects this change will bring.

As many of you know, our dedicated Chief Financial Officer, Anita Wooley, is no longer with us. Anita served the credit union well for 15.5 years, and we wish her well in her retirement.

But we are delighted to welcome Sara Cantu as the new Chief Financial Officer, who has been with CTECU for 10 years, and we have every confidence in her abilities to lead us into the future.

In closing, I'd like to express my deepest confidence in the leadership of Jackie Kapalski, the wisdom and guidance of our esteemed board of directors, the commitment of our dedicated staff, and the support and loyalty of our member-owners. We look optimistically into the future because CTECU is well positioned to face any challenge and seize any opportunity that presents itself in 2020.

Thank you, ladies and gentlemen. I wish you and your families the very best in 2020.

Michael Beard
Chairman

Treasurer's Report

During 2019, your credit union received \$306,568 in interest on loans, \$364,047 in investment income, \$21,584 in Non-Interest Income which represented Fee Income and \$15,584 in Other Income and \$29,794 in Other Non-Operating Income. This total income of \$721,993 represents a decrease of 3.54 percent over the previous year.

Of this income, \$668,604 (approximately 96.6 percent) was used to cover operating expenses. Also, \$58,252 (approximately 8.4 percent) was used for members' share dividends and deposit account interest. The remaining net loss of \$4,863 (approximately 0.70 percent) was transferred from undivided earnings. CTECU is very sound and strong with a 19.23 percent net worth-to-asset ratio.

CTECU's assets were \$26.4 million at year-end 2019. Dividends were increased to 0.20 percent stated rate equating to 0.20 Annual Percentage Yield on Regular Shares during the year. IRA Share dividends were increased to 0.35 percent stated rate equating to 0.35 Annual Percentage Yield during the year. Money Market Shares were increased to 0.55 percent stated rate equating to 0.55 Annual Percentage Yield and Share Draft dividends were increased to 0.15 percent stated rate equating to 0.15 Annual Percentage Yield. CTECU also offers shorter-term certificates of deposit beginning with 3-month certificates of deposit along with Money Market Accounts.

CTECU is in strong financial condition. Your continued support will ensure CTECU's continued success.

Gary Cohen
Treasurer

Credit Committee Report

During 2019, there were 78 regular loans made for a total of \$2,892,449. Loans outstanding **decreased** by 11.9 percent from \$8,736,962 on December 31, 2018 to \$7,695,582 on December 31, 2019. This decrease was mainly due to low loan demand. CTECU loaned \$250,000 for 4 Home Equity in-house loans during 2019 via our alliance with Morton Baird, Attorney-at-Law for Home Equity loan underwriting and one (1) Home Loan for \$250,400 via our alliance with CU Members Mortgage.

CTECU has partnered with several vendors such as Credit Union Members Mortgage, Morton Baird Law Firm, and Vantiv/WorldPay for MasterCard and MasterCard Gold, Auto Exam, Dealer Select, etc. We look forward to assisting you with all your loan needs, whether it is a personal loan, MasterCard, vehicle loan, vehicle warranty, vehicle GAP insurance, home loan, Home Equity loan or vacation home loan.

Audit Committee Report

The Audit Committee consisting of five members appointed by the Board of Directors is charged with conducting an annual audit of CTECU's records and submitting a summary to the Board of Directors at the annual meeting. The 2019 Audit Committee members were Joan Kelly, Committee Chair; Janice Rogers; Sharon Savage; and Pat Whitnel.

The Audit Committee verified that all cash accounts were reconciled with the bank statements and all loans were reviewed for proper execution and for supporting documentation. The Audit Committee reviewed 112 loans and found 1 exception during their loan audits. The exception was corrected by the next audit. We have determined that the Credit Union is in compliance with the appropriate regulations and accounting practices.

In 2019, the Audit Committee was assisted by outside auditor, Lois Rothrock, CPA & Consultant/Owner of CU-Consulting. She verified the existence of all assets and liabilities of the Credit Union. We have determined that the credit union is in compliance with the appropriate regulations and accounting practices.

Joan Kelly,
Committee Chair



The annual review of the credit union's books and records was conducted during January 2020. The review involves testing and reviewing of transactions as recorded in CTECU's records for 2019. In addition, various forms of verifications of account balances and transactions were performed. The review was finalized, and a report submitted to the Audit/Supervisory Committee Chair.

There were no material findings in the credit union's financial records. CTECU appears to conduct business based on sound business practices and to be in compliance with the regulatory requirements of the Texas Credit Union Department and American Share Insurance.

The review was conducted by Lois Rothrock, CPA with CU-Consulting. CU-Consulting has performed the following additional services for CTECU during 2019:

- Four cash audit counts at various times in 2019 on a surprise basis
- An Annual Compliance Review was performed in October 2019

Lois Rothrock, CPA
CU-Consulting

Membership Report

During 2019, our membership decreased from 1,666 to 1,604; a little more than 3.7 percent decrease or 62 members less than the previous year.

The CTECU field of membership includes CTECU employees; employees of Chevron Energy Technology Company nationwide; employees of any subsidiary of Chevron Corporation and any affiliates, divisions, or subsidiaries located within Texas; employees of Chevron Phillips Chemical Company paid out of The Woodlands, Texas; retirees of any one of the organizations/companies as well as family members of the above mentioned employees; any business or organization included within this field of membership; as well as groups of employees or members of companies or associations which are located within a ten mile radius of this credit union's main office or any additional office of this credit union.

We invite you to sign up your coworkers as well as your immediate family members.

President/CEO's Message

Good evening and welcome to the 2020 Annual Meeting of CTECU. I'm delighted to be here with you at our 68th annual meeting.

When you joined our credit union with your initial deposit, you became one of the most important people in the credit union industry: a member-owner. That initial deposit was your share in CTECU, and it empowered your voice in your financial institution. Credit unions operate on a "one member, one vote" principle, so when you participate in the voting process, you're contributing to the growth and potential of your credit union.

And let me take a moment to draw a distinction between not-for-profit, member-owned, and member-directed credit unions and other financial institutions. Consider that when most banks hold their annual meetings, the room is filled with shareholders who bought their stock in the corporation, sometimes for large sums of money, and expect exorbitant returns for their investment, which are derived from their accountholders. Those meetings are often filled with anonymous faces from around the country or even the world.

That's not the way credit unions do it. Here, you're surrounded by people like yourself who have an equal share of CTECU. As a result, we can offer you lower rates on loans, higher rates on savings, and fewer fees—not to mention more personalized service. Across the country, credit unions provide more than \$12 billion in financial benefits to members annually. In short, credit unions put people over profits.

Let me tell you a little about the state of our industry. Texas has 446 credit unions with more than 9.1 million members and total assets of more than \$107 billion. These figures reflect a robust and healthy credit union system, of which CTECU is a part.

Since our credit union's founders opened for business in 1952, we've grown from 25 members to 1604, and our assets have grown from \$639,885 to \$26,402,411. We are proud of how far we've come, and I know our many accomplishments would not have been possible without the ongoing energy, optimism, commitment, and servant hearts of everyone involved in the operation of this credit union. Because of the work we've all done together, this credit union is thriving.

From a business perspective, your credit union continues its steady trajectory forward and upward, with our focus finely tuned to the things that really matter to our members. As such, we were able to bring our "people helping people" mantra to life in a number of ways that helped not only our members, but our communities.

As has been the case for several years, one of the biggest ongoing issues we faced in 2019 was data breaches and privacy concerns, because merchants across the country continue to be

needlessly vulnerable. Yet, it's not the merchant who must bear the cost of a breach or reissuing new cards to their affected customers. That responsibility falls to your credit union, despite that we would have had nothing to do with the breach. If you're ever part of a data breach, your credit union bears the costs associated with any fraudulent card use, and we don't even hesitate to quickly reissue new cards, so you're inconvenienced as little as possible.

The good news is that your financial institution suffered no data breaches in 2019, and we continue to ensure that your data remains secure. We'll be joining our trade associations, Cornerstone Credit Union League and Credit Union National Association, to lobby Congress to enact a federal data security law that helps secure data, protect your privacy, and foster fair-share responsibility.

With the continued success of CTECU, we're able to offer beneficial savings and wealth-building tools and other financial products and services that enhance your life, improve our delivery channels, and expand our community outreach.

Therefore, this year we're implementing the following products and services to benefit you and your families:

- Enhanced online services
- Improved Mobile banking
- Lunch n Learn Seminars

As we've alluded to previously, because of our cooperative business model, we're able to return profits to our members in the form of competitive rates, new products, enhanced services, and additional points of service to make it easier for you to reach your financial objectives. Our highest and best purpose in serving you includes some of the following objectives:

- We are committed to serving our community where we can make the greatest impact. Helping with financial literacy and the account management for our members who are most vulnerable, such as pre-high schoolchildren, young adults, retirees, and our elderly, are some of the ways we can do that.
- We are committed to being a knowledge center that allows our members to trade peer advice and insights about budgeting, buying, retiring, and saving.
- We are committed to offering more and better resources that ensure our members are using the safest, most secure, and most convenient technology available.
- We are committed to growing our community impact through basic interest payouts, financial capability programs, payment deferral during community emergencies (such as the effects of flooding from hurricanes), and working with members that face challenges in whatever life phase they might be in; and
- We are committed to helping you finance your life activities, such as education, small businesses, and transportation in a responsible way.

As we move into 2020, we promise that CTECU will continue to grow responsibly while listening and responding to your needs. Our member-owners are integral to our credit union family, and we are sincerely grateful that you've chosen CTECU as your financial partner. We wish you a healthy and prosperous 2020.

Thank you for your time and attention this evening.

Jackie Kapalski, Class of 2013 SCMS
President/CEO

Year End Analysis 2019

Total Income	Dollars	Percent of Total
Loan Interest Income	\$ 306,568	44.3%
Investment Income	\$ 364,047	52.6%
Other Non-Interest Income	\$ 15,584	2.3%
Miscellaneous Income	\$ 6,000	0.8%
Total	\$ 692,199	100.0%

Total Expenses	Dollars	Percent of Total
Operating Expenses *	\$ 655,161	94.7%
Provision for Loan Losses Exp.	\$ 13,443	1.9%
Dividends & Interest Paid	\$ 58,252	8.4%
Reserve Transfers	\$ -	0%
Net Income before ONOG(L)	\$ (34,657)	-5.0%
Other Non-Operating Gain (Loss)	\$ 29,794	4.3%
Net Income (Loss)	\$ (4,863)	-0.7%
(Transferred from Und. Earnings)	\$ 4,863	0.7%
Total	\$ 692,199	100.0%

* excludes Provision for Loan Losses.

Total Member Deposit	Dollars	Percent of Total
Share Accounts	\$ 12,233,221	57.7%
IRA Accounts	\$ 1,098,672	5.2%
Share Drafts (checking)	\$ 3,578,411	16.8%
Money Market Shares	\$ 1,732,170	8.2%
Certificates of Deposit	\$ 2,569,656	12.1%
Total	\$ 21,212,130	100.0%

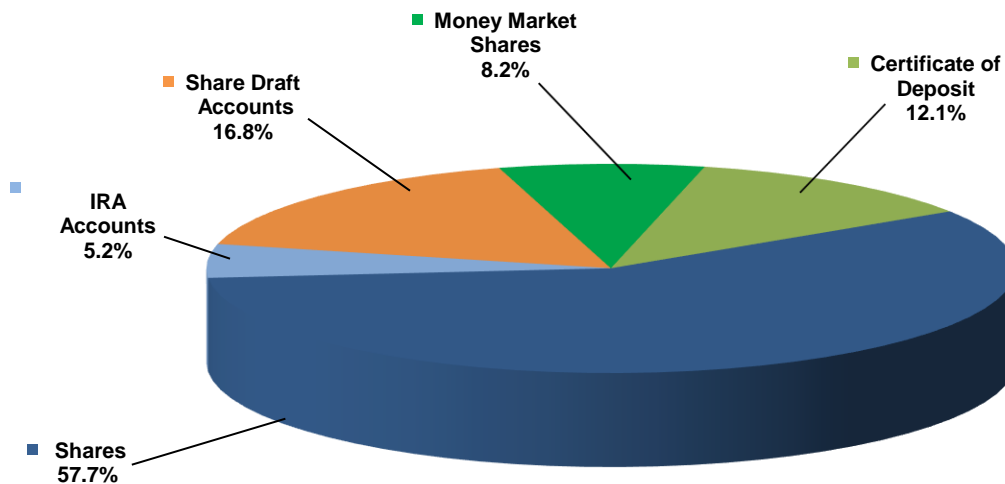
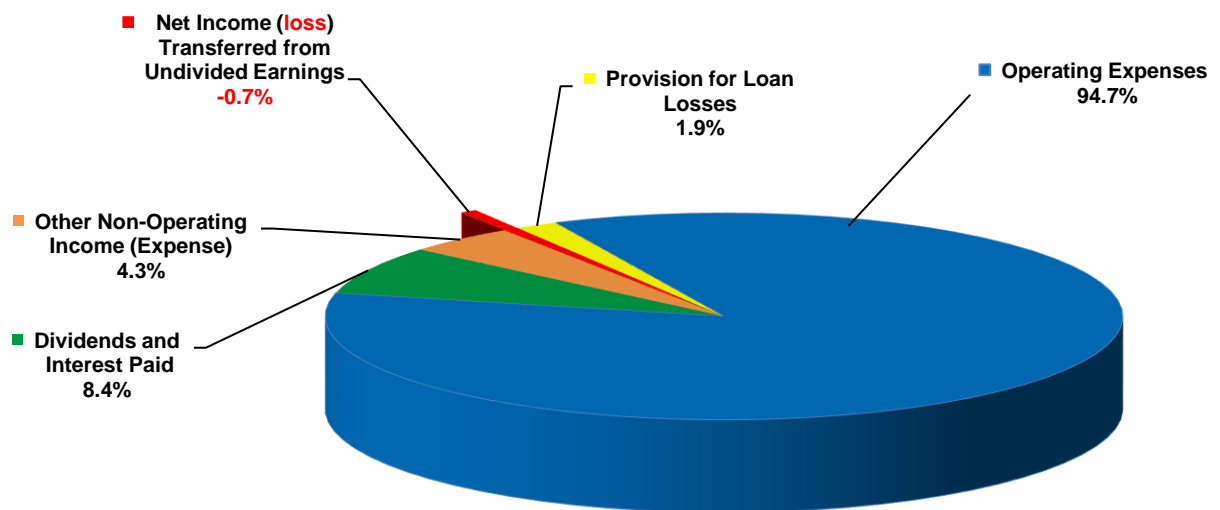
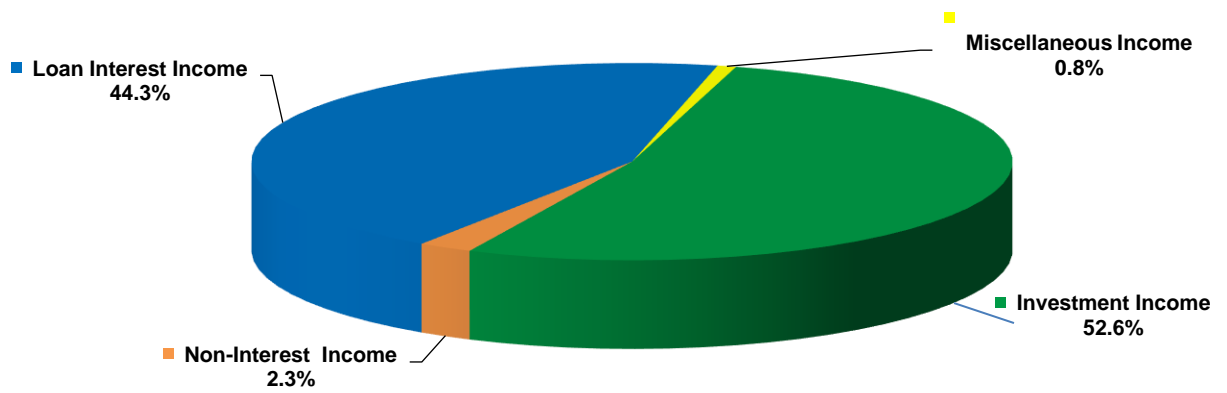
Statement of Financial Condition

Assets	2019	2018	2017
Loans to Members	\$ 7,695,582	\$ 8,736,945	\$ 8,063,678
Less: Allow for Ln Ls	\$ 31,906	\$ 38,188	\$ 32,711
Investments *	\$ 17,507,962	\$ 18,259,675	\$ 23,959,205
Fixed Assets	\$ 3,886	\$ 10,375	\$ 12,956
Other Assets	\$ 1,226,887	\$ 1,249,056	\$ 1,718,235
Total Assets	\$ 26,402,411	\$ 28,217,863	\$ 33,721,363

* includes NCUSIF & ASI Cap. Dep.

Liabilities & Equity	2019	2018	2017
Payables	\$ 112,182	\$ 69,347	\$ 159,926
Shares	\$ 12,233,221	\$ 13,391,375	\$ 16,981,264
Share Draft (checking)	\$ 3,578,441	\$ 3,631,512	\$ 3,493,165
Money Market Shares	\$ 1,732,170	\$ 1,840,988	\$ 2,702,941
Certificates of Deposit (Reg. & IRA)	\$ 2,658,986	\$ 2,868,121	\$ 3,744,710
IRA Accounts	\$ 1,009,342	\$ 1,333,558	\$ 1,556,593
Regular Reserves	\$ 610,516	\$ 610,516	\$ 610,516
Undivided Earnings	\$ 4,467,583	\$ 4,472,446	\$ 4,472,248
Total Liabilities & Equity	\$ 26,402,411	\$ 28,217,863	\$ 33,721,363

Year End Analysis - 2019



Officials and Staff

- Board of Directors -

(Term Expiration)

Chairman

Michael Beard (2020)

Vice-Chairman

Mike Jung (2021)

Treasurer

Gary Cohen (2020)

Secretary

Wanda Stephanow (2020)

Directors

Bill Alvarez (2022) • John Hanten (2022) • Melissa Hinch (2021)
• Jackie Kapalski (2021) • Jim Thacker (2022)

- Audit Committee -

Chairman

Joan Kelly

Committee Members

Janice Rogers • Sharon Savage
Pat Whitnel

- Office Staff -

President/CEO

Jackie Kapalski

EVP

Sara Cantu

Branch Manager/Loan Officer

Delia Martinez

Operations Assistant

Cassandra Gibbs

Locations and Hours of Operation

CTECU – Serving Employees of Chevron Corporation

- Main Office -

3100 Wilcrest, Suite 141
Houston, TX 77042
(713)432-0038 Fax: (713)432-0737

- Mailing Address -

P.O. Box 42021
Houston, Texas 77242-2021

- Office Hours -

Monday through Friday
8:00 a.m. until 4:00 p.m.
Closed on Chevron Corporation holidays.

- Website -

www.ctecu.org

Toll Free: 1-888-658-2328 **Email:** mail@ctecu.org

Mission Statement

To offer members exceptional service, competitive interest rates, and sound financial management.

CTECU Vendors

CTECU would like to send a special thank you to all the vendors who contributed door prizes for our 68th Annual Meeting:

AGBS Texas, Inc.

ALA Financial Group

American Share Insurance (ASI)

Auto Exam

Business Compensation Consulting (BCC)

Catalyst Corporate FCU

CU-Consulting/Lois Rothrock, CPA

CU Members Mortgage (CUMM)

CUNA Mutual Insurance Group

Davis & Davis Business Equipment

Dealer Select

ELT/Decision Dynamics, Inc.

For Members Only Insurance Services

Larry Plaxe, SVP with Wells Fargo Advisors

Main Street, Inc. (Check Printer)

Origin Bank

SPM Document

Symitar

Vantiv/WorldPay

Worldwide Interactive Services

CTECU – Here to help!

In the market for a new car?

- ✓ **High Approval Rate**
- ✓ **Lowest Interest Rates**
- ✓ **Flexible Repayments**
- ✓ **Fast Approval Time**



Let our Home Equity Loan:

Get you the cash you need for home improvements, vacations, debt consolidation and even college expenses or any major purchase!

The advertisement features a background image of a blue paint can with a black lid and a red-handled paintbrush resting on top. A green foam roller is positioned in the foreground. The text is overlaid on the image.

Home Equity Loan
An ideal way to borrow for
Home Improvements

2.99% APR*
Up to 5 Year Term!


NMLS #867455

Disclosure: Loans are for qualified applicants. These loan rates and terms are subject to change upon Board of Directors discretion. Certain terms and conditions may apply. This is not an offer to extend consumer credit as defined by Section 226.2 of Regulation Z. (*APR=Annual Percentage Rate)

Need to deposit a check?



**Use our Free Mobile Remote Deposit App!
Allows you to safely & securely deposit checks to
your account anytime anywhere!**

We can help you secure your Financial Legacy

As CTECU's financial planning partner, ALA Financial Group can help with key strategies for securing your Financial Legacy.

Contact one of them to set up your complimentary financial planning services with a licensed representative of a national company.



Ann Hauser Laufman,
LUTCF, CFS, CLTC, CFBS
Certified Financial Planner™
Office: 713-993-0687

Email: alaufman@financialguide.com



Joseph Tyler Foxworth

Office: 713-402-3857

Email: jfoxworth@financialguide.com

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Established 1952



**First choice for member
services locally,
globally, for life.**

YOUR SAVINGS INSURED TO \$250,000 PER ACCOUNT



AMERICAN SHARE INSURANCE

This institution is not federally insured, and if the institution fails, the Federal Government does not guarantee that depositors will get back their money. Members' accounts are not insured or guaranteed by any government or government-sponsored agency.



**EQUAL HOUSING
LENDER**