



FROM THE PRESIDENT

WHERE HAS ALL THE SERVICE GONE?

When was the last time you were provided exceptional service? A recent restaurant experience? Perhaps at a



retail store? You can't tell me it was your recent experience with the airlines! Perhaps your cable or satellite provider? Scratch that!

Exceptional customer service in our day to day life has become a

dinosaur. At least this has been my experience. I could talk about my most recent encounter with air travel, but I truly believe I would be telling you something you already know. Rather, I will focus on the opportunity. The opportunity that each of us has to provide exceptional customer service. I am of the opinion that providing exceptional customer service is not a difficult thing to do. However, why is there so little of it anymore? I believe less than acceptable customer service is driven by a few, easily corrected items:

1. Too much self-service technology
2. Too much laziness on the part of customer service professionals
3. Too many assumptions that we all have the same issues that can be resolved in the same way

Although we are all proponents of self service technology (particularly those of us that are technology consultants and technology sales and service professionals), we all must ask ourselves "would our customers prefer to work with someone that can truly handle their issue, or try to figure it out themselves based on the parameters we are given under the self service guidelines provided"? I, for one, do not agree that issues and problems can be one hundred percent resolved in each and every case through automated self service. The assumptions made is that we all encounter the same problems and these problems can be resolved for all, individually or collectively, through the same prompts, clicks, corporate mantras, and institutional policies.

It seems that organizations with less than satisfactory customer service hide behind these key items. This brings up the second, easily fixed barrier – laziness. Let's see – returning phone calls of frustrated customers, elevating issues to the next level (have you ever noticed no one in the airline or cable business has a supervisor?), listening to concerns, putting a game plan together to resolve individual issues or problems that cannot be resolved by a click, prompt, corporate mantra or existing institutional policy. Exceptional customer service starts and ends with someone taking the time to listen and acting to resolve the issue. It is plain, simple, and in today's times becoming extinct.

Community Banks thrive on providing exceptional customer service. In our experience, exceptional customer service is almost always one of the top five differentiators our clients identify when asked what sets them apart. Other industries can learn from Community Bankers. We should all continue to set the example of superior customer service – Let's all remember that as

an industry of Community Bankers we are differentiated! Never hide behind clicks and prompts, corporate policy or worst of all "my supervisor is not available". Be proud to offer exceptional customer service. Go the extra mile...Understand your customer's issues and act upon them. And next time your flight is delayed, your flight attendant does not respond to your request, your luggage is lost and the airline has no idea where it is, and they changed your flight, take pride in knowing how the quality customer service that you, as community bankers offer to your clients, makes you proud and reassures your thoughts to not be lazy, hide behind policy and assume that all issues and problems can be resolved in the same manner.

Mitch Razook, President & COO

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AND SEE WHAT'S NEW!

CIO Service Offerings
“Management Solutions for the Banking Industry”

- Interim & Retained CIO Services
- IT Strategic Planning
- Participating Member of Your Management Team with Board Participation
- IT Contract Review and Negotiation
- Merger & Acquisition Planning
- Staffing Analysis
- System Capacity Review
- In-House / Outsourcing Analysis
- IT Vendor Oversight & Due Diligence
- Process Improvement
- Migration Activities

If your Institution requires assistance in any of these critically important areas, we can help. Please contact John Neely, Executive Vice President of Sales and Marketing at john.neely@rlrmgmt.com, or send your inquiry to info@rlrmgmt.com.

Thanksgiving Tidbits

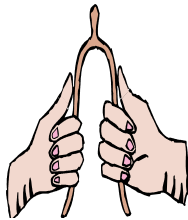
Each year, millions of people across the country travel near and far to be with loved ones and partake in a grandiose meal on Thanksgiving. As people give thanks before they dine, some forget that Thanksgiving is more than just a day to fill up on Turkey and pie while sitting around and watching football on television.

A few Thanksgiving facts:

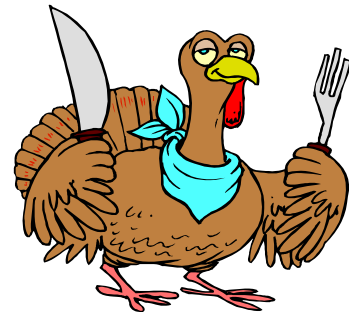
- * As most people are taught in grammar school, Thanksgiving was first served in the Autumn of 1621 when Plymouth governor, William Bradford, invited neighboring Indians to join the Pilgrims for a three-day feast and giving of Thanks. Incidentally, the celebration was a memorable, yet one-time occasion.
- * In the late 1800s, people throughout New England celebrated Thanksgiving, but only for one day. It wasn't proclaimed a holiday until 1863. President Abraham Lincoln marked the last Thursday in November as Thanksgiving. However, Franklin D. Roosevelt in 1939 set the date for Thanksgiving to the fourth Thursday of November, which was approved by Congress in 1941.
- * The traditional feast of turkey and pumpkin pie has become a main staple of Thanksgiving, an advent that was popularized in the 20th Century. Turkey, ham, candied yams, cranberry sauce, stuffing, potatoes, gravy, pumpkin pie, and many other dishes have become part of the feast over the years.
- * Canadians even celebrate Thanksgiving; however they feast on the second Monday in October.

The Wishbone

It was once believed that merely touching a wishbone would bring you good luck. Squabbles over the bone eventually led to the custom of tugging it until it snapped, and the holder of the longer piece would be granted a wish.



Some 45 million turkeys are consumed during Thanksgiving, with at least 91 percent of Americans enjoying the tasty bird at the dinner table. Even more interesting, it is estimated that Californians are the largest turkey consumers in the country, eating three more pounds of turkey than the average consumer.



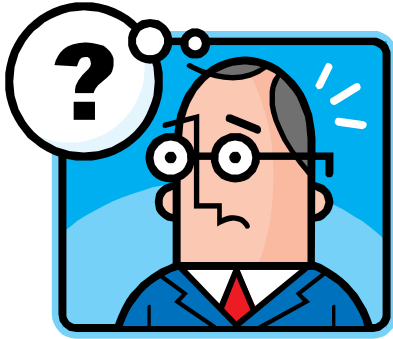
So how do you avoid that sleepy feeling on Turkey Day?

- * Eat small, healthy meals (try to limit junk foods) throughout the day before you sit down for your big meal — don't starve yourself in anticipation of the feast to come.
- * Have small portions of foods that are part of your Thanksgiving meal (including whatever veggies are on the table).
- * Drink water and take breaks while you are eating to see how full you've become.
- * Stop eating once you're full — there will always be leftovers tomorrow.
- * Finally, take a walk outside afterward to digest your meal. This will make you feel better than crashing on the couch.

Follow these tips and have a Happy Thanksgiving
Gobble! Gobble!



Vendor Management



Funny, we are still talking about vendor management and the regulators consider it a top priority, especially in light of today's economy. There still appears to be questions with regard to vendor management and that nagging question – what is really required from me? Hopefully we will be able to answer some of those questions for you.

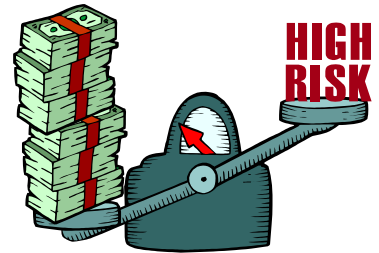
Bankers always ask us what guidance should they refer to identify what is required of them. The reality is there is a lot of guidance embedded in the FFIEC IT booklets, as well as in GLBA, as well as the FDIC FIL published June 2008.

Banks need to have a Vendor Management Program. The program needs to include both IT and Non-IT Vendors. We think it is best if the bank has one program that addresses both. One question we are always asked: “What vendors need to be included in the program?” We believe that the initial assessment of risk should include all vendors. Yes, all vendors. The plant lady, the janitor, the consultants and the service providers! You do not know who is a risky vendor, if you do not assess the risk. Ask yourself, who has access to your premises, to your records, to customer confidential information in an un-supervised environment. The Janitor and maybe the plant lady! They need to be included in the Risk Assessment. The Bank can choose to “exempt” vendors from the program, but only after the initial risk assessment.

Program Components:

Performing the Risk Assessment

Document the importance of the vendor to the organization, the nature of the activities that the vendor performs, and the inherent risks of the services that are provided. The more risky the activity, the more important the need for vendor due diligence. “Risk Rank” your vendors. Establish a rating that is consistent throughout the program. You can rate by Mission Critical, High Importance, Medium Importance, Low Importance or A, B, C, or D, just make sure it is consistent throughout the program.



Performing Due Diligence

The level of due diligence required in selecting a vendor, as well as ongoing monitoring, will depend on the risk rating of the vendor. You may wish to establish different criteria, per risk ranking. Due Diligence may include:

- Existence and corporate history
- Qualifications, backgrounds, and reputations of company principals, including criminal background checks where appropriate
- Other companies using similar services from the provider that may be contacted for reference
- Financial status, including reviews of audited financial statements
- Strategy and reputation
- Service delivery capability, status, and effectiveness
- Technology and systems architecture
- Internal controls environment, security history, and audit coverage

- Legal and regulatory compliance including any complaints, litigation, or regulatory actions
- Reliance on and success in dealing with third party service providers
- Insurance coverage
- Ability to meet disaster recovery and business continuity requirements.

Establish the criteria for vendor contracts

The scope of services to be performed should be carefully addressed in the contract. At a minimum, the scope should include:

- Services to be performed by the vendor
- Responsibilities of the financial institution
- Timeframes
- Implementation activities
- Details concerning fees
- Service Level Agreements and penalty for non-performance



Banks should be leery of contracts that contain provisions or inducements that may adversely affect the institution, such as:

- Extended terms
- Significant increases in costs after the first few years
- Substantial cancellation penalties
- Inducements that allow a Financial Institution to retain or increase capital by deferring losses on the disposition of assets or avoiding expense recognition
- Cash bonuses or low installation and conversion costs in exchange for higher future support and maintenance costs

Ongoing Supervision and Monitoring of Vendors

The amount of supervision that is required is dependent on the institution's assessment of the risk of the particular service being provided. Again, ongoing supervision and monitoring of the vendors can be different for each risk ranking. Monitoring and supervision should include, at a minimum, review of the following:

- Financial condition
- Insurance coverage (including evidence that the insurance is in force)
- SAS/70 or "like" report
- Disaster Recovery test results

Unfortunately, we have seen Banks behave badly ...

- The Vendor Management Program did not include all vendors
- The Vendors were not risk rated
- The Vendor Management Program established criteria that was "good for the bank" and "bad for the regulators":
 - Vendors reviews every 2 or 3 years, not annually
 - Information received from vendors, but no evidence of review by the bank
 - Questionnaires were submitted to the vendors and returned, without any evidentiary documentation

In the end, put your program in place; monitor the vendors and document, document, document!



Consultant Spotlight

In continuing our feature of highlighting our professionals, in this issue we highlight three of our newest consultants: **Diana Strade, Dan McGregor and Phil Griffin.**

Diana Strade has been with RLR for just over a year, having come to us by way of Bank of America and Placer Sierra Bank. Diana has over 28 years of experience in banking. Diana's expertise in customer service and sales, training, and compliance programs, process/procedure development, internal controls, and operational efficiency has been a tremendous asset to our clients and to RLR. Diana is certified as Six Sigma Green Belt and in Design for Six Sigma. This, coupled with Diana's management and work experience, provides expertise in management of workflow analysis and process improvement.

Diana has created and managed centralized internal control teams resulting in increased sales, improved customer service, and increased revenue, has conducted multiple compliance and control programs and reviews including: SOX testing, Security Policy & Program, IIPP, Financial Elder Abuse Prevention Program, Incident Response Procedures, Business Continuity, BSA/AML Risk Assessments, and will be sitting for her CISA Certification exam later this year.

Diana resides in the Sacramento area with her husband, Dave.

Dan McGregor joined RLR this past summer, and brings a set of skills and experiences new to our organization. Dan has more than 23 years of commercial banking experience, all of which have been devoted to the credit function, credit analysis, and loan policies. He began his banking career as a commercial loan officer and has held numerous officer level credit positions throughout his career where he was responsible for sourcing credit transactions and portfolio management.

Dan's experience with highly sophisticated loan portfolios, loan workouts and developing new loan programs, coupled with his underwriting background in SBA, Conventional (middle market-privately

owned companies), Equipment, Real Estate (LT/MTN), Construction, Consumer, Letters of Credit (all types including enhancements for bond transactions), Corporate (public companies), special purpose financings, and work-out credit has provided our clients with an exceptional resource to tackle their loan portfolios. Dan's most current consulting assignment involved assisting one of our clients with loan workouts involving foreclosure and credit structure.

Dan is a graduate of Pepperdine University, where he earned a Bachelor of Science degree in Business Administration, and resides in Huntington Beach, CA with his wife Kim.

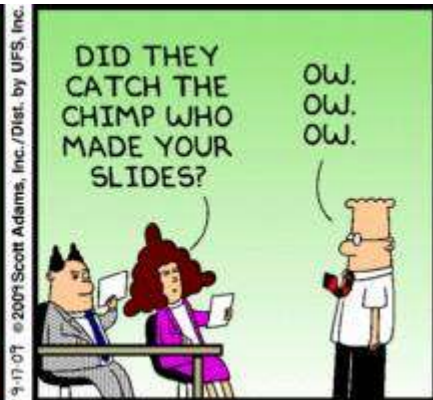
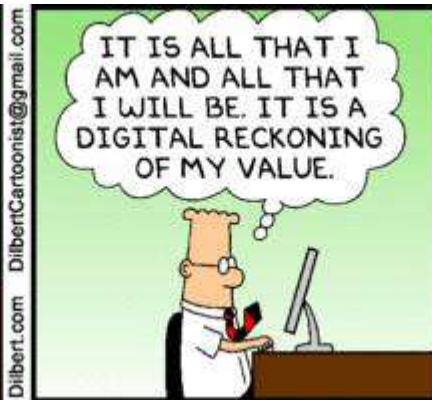
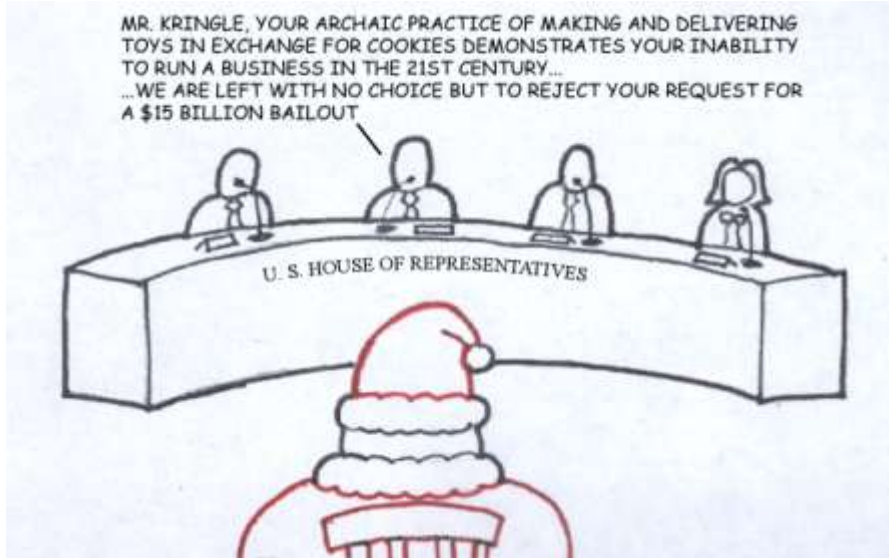
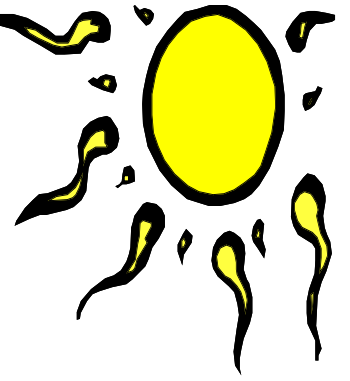
Phil Griffin is the newest consultant to join RLR, bringing with him over 20 years of IT and Bank Management experience. Phil has held CIO positions in several community banks in Nevada and California and provides extensive experience with IT Strategic Planning in the areas of merger and acquisition planning, contract review and negotiations, in-house versus outsourcing of IT, capacity planning, IT vendor management and IT cost analysis and efficiencies. Over Phil's career, he has been engaged in over 65 bank system conversions, and brings a wealth of IT experience into RLR.

Phil will be specializing in a newly formed program for RLR which involves CIO services for banks that do not have a CIO. Phil will be available to work with our clients in the capacity of acting CIO for any specified period of time. Details of this program are highlighted on page 2 of this newsletter.

Phil is a graduate of the University of Nebraska-Lincoln and currently resides in Las Vegas.

On the

Funny Side Up



Where RLR will be:



Conferences & Exhibits

- 3/27 - 3/31 **WIB CEO Conference**-Scottsdale, AZ
- 3/28 - 3/31 **Premier National Client Conference**-Orlando, FL
- 4/29 - 5/1 **CBA Annual Convention**- Ritz Carlton Laguna Niguel, CA

From all of us at RLR Management Consulting, Inc:



**“Have a safe and happy Holiday Season
and a prosperous 2010!”**



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