



Partners in Business
 Our Approach is simple...
PARTNERSHIP in
 business
QUALITY in product
 and **INTEGRITY** in people

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Save the Date!

RLR SPRING WORKSHOP
March 4, 2015
Orange County, CA
 Sign-up now at
www.rlrmgmt.com

RLR had a second consecutive record year in revenue and sales, exceeding our record setting 2013!

In 2014, we saw a clear increase in technology projects, specifically core system conversions. We also saw an increase in BSA audit activity, as well as BSA validation and optimization, as the regulators are now requiring. It appears in 2015, all BSA audits will likely require validation and optimization testing. We saw an increase in operational efficiencies, specifically in loan operations, which leads us to believe the credit crunch is over and the focus is on servicing loans, versus underwriting. We started to

see bank's re-establish the importance of customer information and data warehouse, which has been absent in the past five (5) years due to the financial crisis. Last, in 2014, we saw a continued increase and emphasis on audit services.

In 2015, will be a big year for BSA validation and optimization, as well as mergers and acquisitions. Other areas that will require bank's focus will be Cyber Security and Enterprise Risk Management. We expect to continue to see consolidation of core system providers, as well.

*Please Welcome Lynn Purcell,
 Our New Team Member...*

RLR is very pleased to introduce our new Executive Assistant, Lynn Purcell, who joined our team on December 8th. Lynn comes to RLR with a long history as an Executive/Administrative Assistant, most recently at Broderick & Company, a San Francisco-based management consulting firm, where she worked directly for Maureen Broderick, the Company's CEO. There she was an integral part of the team, assisting with client projects, research studies, reports and presentations. She is adept at supporting a busy office, comfortable working with C-level clients and highly varied in her skill set. Lynn will be responsible for RLR's daily support activities including report development, proposal assistance, client assistance and supporting Ruth and Mitch Razook.

Lynn recently relocated from the San Francisco Bay area to Palm Desert. She can be contacted at lynn.purcell@rlrmgmt.com.

Inside this issue:

- RLR's Record Breaking 2014.....1
- Bank Update -A Look Back at 2014.....2
- A Look Forward to 2015.....4
- Consultant Spotlight.....5
- RLR sponsors Big Brothers Big Sisters event.....6
- Did You Know?**.....7
- Upcoming Events.....8

Bank

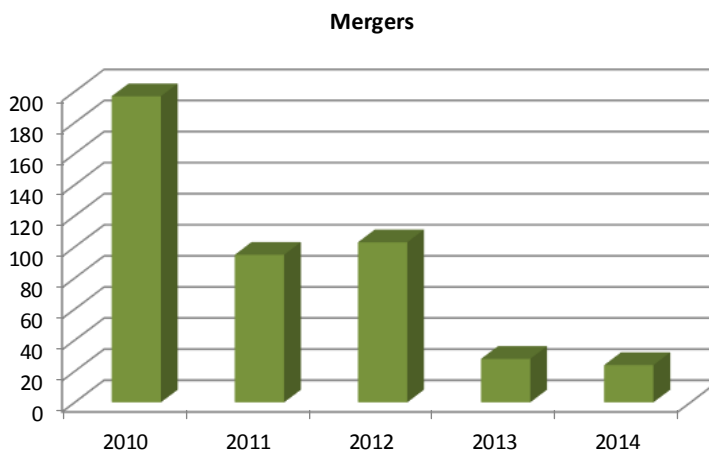
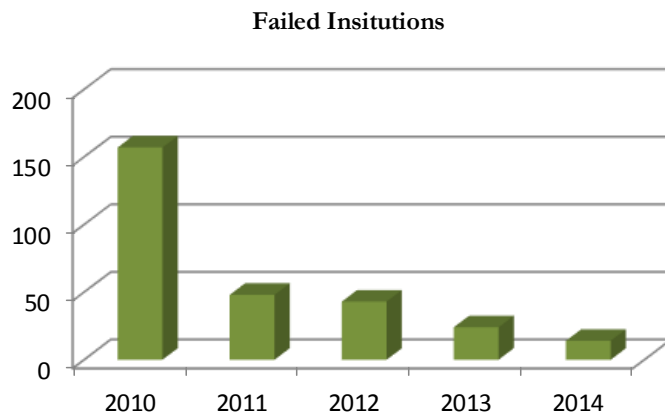


A Look Back at 2014

We started 2014 with 6,589 commercial and savings banks.

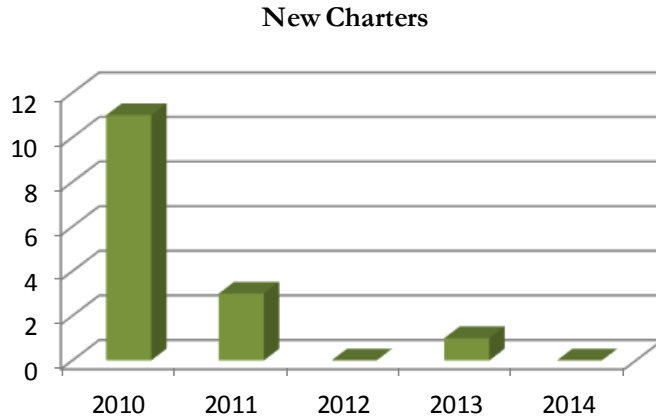


We saw a total of 14 banks fail and 24 merge (at end of 3rd quarter).



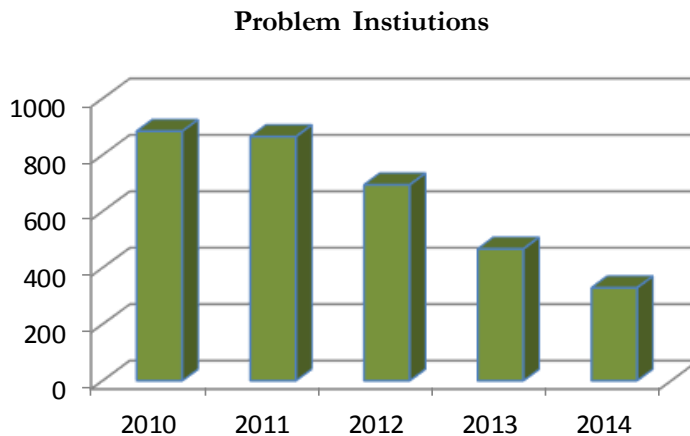
A Look Back at 2014 Cont.

There were no new banking charters (except for change of control).



For the California Banks:

- We saw 24% of the banks under some sort of regulatory order (down from 60% in 2011)
- There were 14 arms length mergers
- There were 7 recapitalizations
- 7 arms length consolidations of subsidiaries or branch sales
- 1 hard exit



We saw upgrades in CAMELS (the upgrades now exceed the downgrades!) Average CAMELS components at the end of 2014 were:

- Earnings 2.5
- Management 2.4
- Asset Quality 2.3
- Capital 2.2
- Sensitivity 2.1
- Liquidity 1.9

A Look Forward to 2015



- 2015 started with approximately 6,589 commercial and savings banks
- There are approximately 30 banks in California that need to be merged or acquired (there are currently 212 banks)
- Expectations include: **
- 14 arm's length merger transactions
 - 7 recapitalizations
 - 8 arm's length consolidations or subsidiaries or branch sales
 - No hard exits
 - And maybe one new banking charter (other than to facilitate a change in control)

***The Findley Report – January 15, 2015*

FDIC data through December, 2014

C *consultant* *Spotlight*



Maureen Clark

RLR is pleased to introduce our newest consultant to our clients and associates. Maureen Clark has over 30 years of experience in financial institution management including the roles of Chief Information Officer and Chief Operating Officer. She has extensive experience in executive and project management roles with Mergers and Acquisitions, system conversions, technology, and operations.

Maureen was most recently with Bank of the Rio Grande/Mile High Banks/First National Santa Fe – Strategic Growth Bank where she was Executive Vice President and Chief Information Officer for this evolving bank Organization. Prior to accepting the CIO position, Maureen was consulting to this organization and was the acting Chief Technology Officer. In this role, her key focus was on acquisition integration and core banking conversions which encompassed four separate organizations technology, culture, compliance and operations. Maureen directed several RLR resources while CIO to deliver standardization, new technology platforms and efficiencies throughout the combined entity.

Prior to this, Maureen served as consultant and interim CIO for Gateway Business Bank/Mission Hills Mortgage Bankers and was engaged to assist the CEO and the Executive Team with regulatory compliance remediation and M&A activities to ensure a successful financial close of the merger with PacTrust Bank. Prior to the successful close of this transaction in 2012, Maureen was responsible for addressing critical information technology regulatory and audit findings, developing a merger integration plan for the mortgage company and managing the system selection and contract negotiations for a new end to end loan system for Mission Hills Mortgage.

Maureen's career has included management or leading role in over 20 acquisitions, both as the acquirer and the seller. She was a member of an executive team that successfully grew a bank from 107 million to 1.8 billion within a 2 year period.

She was hired as a CIO to manage the aftermath of an Information Technology (IT) forensics investigation and remediated IT related findings in a regulatory order. Maureen has extensive experience in RFP development, vendor selection and contract negotiation for core banking platforms, and ancillary systems including accounting, loan origination, Internet banking, call center, SBA, network and information technology solutions.

Maureen was also part of a Capital group that was successful in raising \$200 million in capital and subsequent attainment of regulatory approvals for M&A. She further assisted with writing a revised Business and Strategic Plan for de novo bank to support acquisition strategy.

Maureen recently moved to, and currently resides in Denver, CO. Clearly Maureen will prove to be an invaluable resource to RLR and to our clients. Her line management, consulting, technology, business and banking background will prove to be a huge plus! We are thrilled Maureen has chosen to be a part of RLR! Please join us in welcoming Maureen to our team! She can be reached at Maureen.clark@rlrmgmt.com.



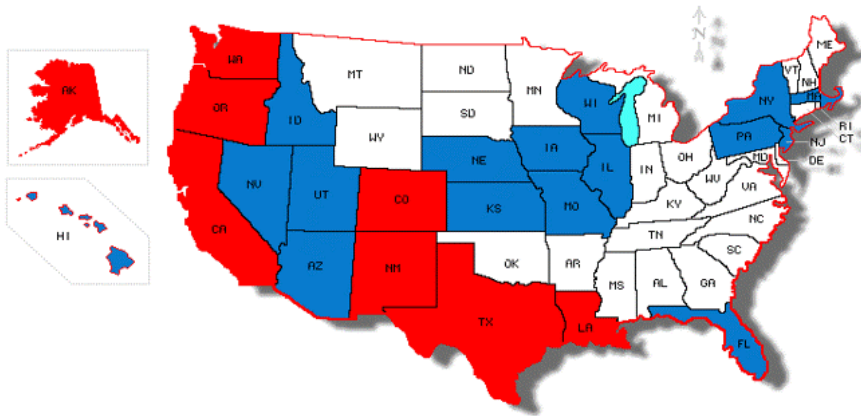
RLR was proud to help sponsor an event for Big Brothers Big Sisters of the Desert held on January 26, 2015 at Indian Wells Country Club

The day was filled with lots of fun and consisted of a luncheon, golf outing, cocktails and dinner. Many sports celebrities were on hand including former NFL coaches Tom Flores and Jim Mora, broadcasting legend Jack Whittaker, former major leaguers Ron Fairly and Scott Erikson, and former Heisman Trophy winner Johnny Lujack.



DID YOU KNOW?

➔ *RLR is currently engaged in 8 states and has worked in 23 states.*



Source: dynamaps.net (c)
■ RLR currently engaged
■ RLR previously engaged

➔ *An absentee ballot requires double postage most of the time and if at least 2 stamps are not put on an absentee ballot when mailed, it will be collected and thrown away?*



RLR to Attend

- **March 4, 2015** **Workshop** – The Westin South Coast Plaza, Costa Mesa, CA
- **March 11-13, 2015** **2015 Spring Meeting** – Hyatt Regency, Sacramento, CA
- **April 20-22, 2015** **Fiserv Forum Spring Client Conference** – Las Vegas
- **May 18-21, 2015** **Client Conference 2015** – World Center Marriot, Orlando, FL

Ruth L. Razook to Speak:

- **April 14, 2015** **WIB Webinar: Cybersecurity for Banks**

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