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THE JOURNAL

Spring, 2012

The Tortoise & the Harried

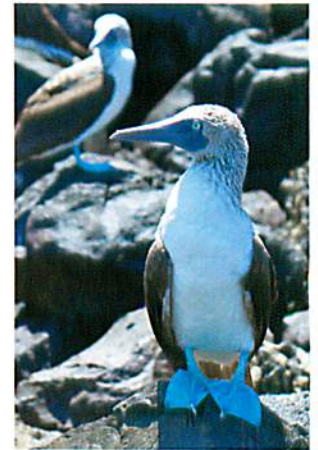
While the well-known version of this fable is "The Tortoise & the Hare," in my modern day adaptation we'll focus on the human race. Rick and I recently visited the Galapagos Islands, named after their most famous resident, the tortoise. Nearly five hundred years after being "discovered" by the Spanish, the islands haven't changed much and life still moves at the pace of a tortoise. Tourism only got started in the 1960's and the 25,000 residents of the 18 islands rely heavily on tourism and agriculture. Darwin made the islands famous in his book *The Origin of Species* and today's tourists flock to the islands to view the natural wildlife and escape the modern day "wild life" so common to our society. On our trip we visited the islands by boat – observing and photographing the blue footed boobies (my personal favorite!), frigate birds, sea lions, marine iguanas, and, of course, the tortoises. Our routine generally consisted of sailing, snorkeling, eating, and then repeating ... not a bad way to spend the day!

After our tour we were quickly shocked back to the reality of modern life as we scrambled to catch flights home in the "hurry-up and wait" mode of modern air travel. The relaxed pace of the remote islands gave way to our hectic normal lives of work and responsibilities far too quickly! We are all too familiar with the change of tempo in our personal and professional lives. Studies suggest that even with all the conveniences of modern society we work far more each week than our hunter-gatherer forbearers. There's little doubt that in our professional lives we do more work with less staff than bankers a generation ago. While we no longer figure interest earned or due by hand, bankers of yesterday didn't spend days calculating and justifying their allowance for loan losses!



now part of our company's products offering! We recently acquired Community Bank Solutions and retained its very capable founder, Jeff Thompson. Our goal, and his, is to serve your compliance needs as a partner and help you preserve more of your time and sanity by off-loading work to him.

In his thesis on evolution Darwin opines on why some species become extinct while others adapt and survive. We all know a return to simpler times is the stuff of great vacations and memories rather than a permanent reality. As true as this is, it is also true we're here as your correspondent to help protect you from extinction by adapting and prospering in an evolutionary environment. My co-worker, Tom Tenwalde, suggested that if he wants time to slow down, he'll just ask to see some of my vacation photos. Until he evolves, I'll share my photos of the blue footed boobies with you!



Charlotte Martin

Safeguarding Independence: A Lead Directors Role In a Community Bank

By *Dave Thomas*

The Sarbanes-Oxley Act of 2002 brought about significant changes in the world of corporate governance for the nation's publicly traded companies. In response to several highly publicized corporate scandals at the turn of the 21st century, Congress mandated a much stricter set of corporate governance standards on companies in the areas of reporting, disclosure, audit, and "independence". Even though these new standards applied directly to publicly traded companies, the spillover effect on generally smaller, non-publicly traded companies was inevitable in the name of "best practices". In the highly regulated banking world, the impact and emphasis on additional reporting and control structure for all banks was unavoidable.

While the addition of the new and more restrictive governance laws and regulations were generally viewed as a burden to our industry, the emergence of the Lead Director concept is one that may have merit for even community banks. When crafted in an appropriate manner to fit your bank's profile and size, the additional layer of Board leadership can potentially add value to the Board by allowing for enhanced communication with active management and improved Board independence.

Interestingly, Sarbanes-Oxley was the likely genesis of the Lead Director concept; however it neither created nor mandated such a position. Because of the push for greater independence at the Board level, guidelines for the Lead Independent Director concept were developed by the stock exchanges to offer a counter balance for companies that maintained a combined Chairman of the Board/President/CEO position. The argument being that one individual holding the combined Board Chair/President/CEO position could easily exercise undue dominance over the company by having conflicting responsibilities in managing the bank's operations as well as leading the bank's Board of Directors. It's all about independence.

Lead Independent Director roles should be developed based partially on the size and complexity of the institution with a goal of assisting the Board in more effectively discharging its duties. Listed below, in no specific order

of importance, are various duties and responsibilities often assigned to a Lead Director. It should be noted our bank has chosen a majority, but not all, of the standards for its Lead Director position.

- Serve as a liaison between inside management Directors and the Independent Directors
- Chair periodic meetings of the Independent Directors (This is scheduled monthly for our Director meetings)
- Review and suggest agenda items for Board and other Board Committee meetings
- Offer recommendations regarding structure of Board and Committee meetings
- Serve as Board Ombudsman, so as to ensure that questions or comments of individual Directors are heard and addressed
- Preside at meetings when the Chairman is not present
- Review and/or approve information sent to the Board
- Serve as ex-officio member of all standing Board Committees
- Mentor and counsel new members of the Board to assist them in becoming active and effective Directors
- Promote best practices and high standards of corporate governance
- Oversee the bank's shareholder communication policies and procedures
- Serve as point person for "Shareholder – Board communication", an informal process allowing shareholders to communicate directly with Directors
- Oversee and participate in the evaluations of Board members and President/CEO

The ultimate role of a Lead Director for the Board is one that is likely to evolve for any given institution. While a core

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Compliance Services – Another Bright Idea From the Great Lakes Family!

By Jeff Thompson

Few things are as complicated or significant to banking as regulatory compliance. The growth of regulations over the last several decades has been a sea change for banking. As the industry was busily deregulating our business – from what we could pay on deposits, to what we can charge on loans and where we could do business – new regulations came at us at a pace that feels like trying to drink from a fire hose – the volume was overwhelming and it can get quite messy!

For several years our board has devoted time at our strategic planning sessions to discussions on how to assist bankers with compliance services. We are pleased to announce we have purchased Community Bank Solutions and retained the services of its founder, Jeff Thompson. Jeff and his company have proven their worth to community banks for nearly 10 years and will now be able to expand their reach to bankers like you. Prior to starting CBS, Jeff was an examiner for the OCC, worked in compliance at a large regional bank, and later helped start the compliance practice in an accounting firm.

Mr. Thompson commented on the acquisition “For nearly 10 years I have enjoyed providing my clients with focused, client centric, compliance and loan review services. With the enactment of Dodd Frank and the increasing focus of examiners on regulatory compliance I was looking for support to bring this critical service to more community banks. After meeting the management teams from Great Lakes Bankers Bank and F & M Credit Services, I knew they were a group who shared my commitment and passion for supporting community banks. I’m excited about the prospect of meeting more bankers, growing our compliance practice, and enhancing the loan review services I currently provide.”

Tom Tenwalde, Chairman & CEO of Bankers Bancshares, Inc., stated “When we brought F & M Credit Services into our company we knew we could only be successful if the people who made the company a success stayed with us. They did and were instrumental in growing our reach in

loan review. The same is true with Jeff. He is an expert in the area of compliance and our role is to provide the assistance he needs to bring his service to more banks in Michigan and Ohio.” Charlotte Martin, President & CEO of GLBB, remarked “We have a small but dedicated staff in our companies. Compliance services fit very well with

our strategic vision of serving, preserving and promoting independent community banking. Tactically, it makes sense because our clients generally cannot afford to have full-time dedicated specialists in every critical area. Through F & M and now CBS, they can ‘rent’ the talent they need for the time they need it while dedicating their internal resources to their customers’ and shareholders’ needs.”

Today CBS serves over a dozen clients in Michigan and the goal is to double the client list in the next 18 months. CBS offers a full suite of compliance services to its community bank clients. While the main function provided is compliance audit services, the company also provides staff training, board training, general compliance consulting, specialty compliance audits such as HMDA or BSA/AML audits, compliance officer coaching and mentoring, and phone and email “help desk” services.



Please contact **JEFF THOMPSON** at 517-927-8445, phone or jeff@communitybanksolutions.com, email.

Are You "S.A.F.E.?"

The impact from the formation of the Consumer Financial Protection Bureau (CFPB) has officially begun. The S.A.F.E. Mortgage Licensing Act is now codified as 12 CFR 1007 (Regulation G). Section 104 of the regulation lays out policy and procedure requirements for covered institutions, all of which should be in place if you employ mortgage loan originators, and have registered them and your institution with the Nationwide Mortgage Licensing System and Registry (Registry).

One of the required policy items under paragraph (f) is: "Provide for independent testing for compliance with this part to be conducted at least annually by covered financial institution personnel or by an outside party." To keep within the appropriate timeframes, this means your first audit should be completed no later than **July 21, 2012**, one year after the formation of the CFPB.

If you have not conducted the appropriate audit, we can help! We have developed an offsite SAFE Act audit process that you will find both unobtrusive and cost effective. Please contact your GLBB sales representative, or call Jeff Thompson, Managing Consultant of our NEW compliance division at (517) 927-8445.

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set of standards may remain permanent, the particular skill set of the individual serving in that position may broaden or restrict the Lead Director duties and responsibilities. No matter how the role of Lead Director is defined, it should be placed in writing as part of the bank's corporate governance policies.

Bank regulators continue to point to the overall strength and ability of Directors as critical evaluation factors in assigning the "M" component of CAMELS. Thus, the leadership, sound judgment and independence of Boards are all important criteria measured by examiners. The addition of a Lead Independent Director, along with an appropriately designed and engaged Board Committee structure, can serve to enhance a Board's independence and provide the right balance to better protect the shareholders' interests.

DAVE THOMAS has served as the Lead Director of Ohio Valley Bank, Gallipolis, Ohio since 2010, a position which the bank created in 2005. He joined the Board of OVB in 2007 following a 30 year career with the Ohio Division of Financial Institutions.

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