

Bank Client Advisory Alert

As 2018 comes to an end, management should look closely at what the potential challenges of 2019 will bring to their holding companies and subsidiary banks, and must be ready to address those challenges with their Board of Directors. This is a great time to reflect on what has worked and what has not in 2018, and to deal with the situations and issues that need to be addressed to make 2019 a better year for your Company, board of directors, management and shareholders.

We have identified some of the issues confronting management, specifically the relationship a CEO has with his/her Board and whether that relationship is transparent, positive and productive. While these issues may have existed for years and are sensitive to deal with, they nevertheless need to be addressed.

Having served as advisors and consultants to bank holding companies, banks, board of directors and management, we have seen communication, or a lack thereof, to be one of the major issues that have plagued many boardrooms. The following are some of the examples of issues that need to be addressed:

COMMON PROBLEMS:

- An underlying, negatively skeptical atmosphere in the boardroom, which impedes a positive environment of trust and collaborative effort
- A CEO and board that do not communicate or function as a cohesive team
- Conflict or open combativeness frequently occurring in board meetings
- The failure of a board to clearly define appropriate goals for the CEO to achieve, and link the accomplishment of those goals to his/her compensation package
- A board that does not meaningfully and effectively evaluate the CEO's performance at year-end
- A board having difficulty in valuing the contribution of the CEO versus the management team
- Having appropriate employment and severance agreements for key management officials
- A board package being too voluminous - versus being concise, clear and effective in presenting the information that the Board needs to see and **UNDERSTAND**
- How to evaluate the board's contributions to the Company.
- When to consider adding new members to the Board
- If there should there be a limit on the years a director can serve on a board
- When a "Boardroom Physical" is necessary to improve the effectiveness of board oversight and setting the direction for the Bank
- Lack of board consensus on a current or long-term strategic plan for the Bank
- Ensuring that board members are on the same page as opposed to pushing a rather different agenda

- Executive sessions are nonexistent or ineffective
- The annual evaluation of board members is not effective in improving the performance of the directors or the boardroom process
- Corporate governance in the boardroom is lacking and needs improvement

If any of these situations or questions exist in your Company, we can assist you in addressing and eliminating them for 2019. The sooner these situations or issues are addressed, the more pleasant, effective and productive your Board meetings will be.

Please contact us for a confidential discussion of the situations or issues you feel need to be addressed in 2019 in your Bank.

Best wishes for an enjoyable and safe Christmas Holiday and Happy New Year.

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