

MINUTES OF THE REGULAR MEETING

OF THE STATE BANKING BOARD

APRIL 16, 2003

As first item in order of business on the agenda, Chairman Thompson called the Banking Board meeting to order at 10:00 a.m., pursuant to the Agenda that was posted for public display prior to 10:00 a.m. on April 15, 2003. The meeting was held in the Conference Room of the State Banking Department, Oklahoma City, Oklahoma.

Second item on the agenda was roll call; the following members were present:

Mick Thompson, Chairman
Gordon Greer
Gary Huckabay
Bob Newcomb
Chris Conn
John Goad

Also present: Charles R. Griffith, Deputy Commissioner; Dudley Gilbert, Legal Counsel; Tony Reel, Assistant Deputy Commissioner; Randy Brooks, Director of Examinations; Sherbie Kiffin, Assistant Deputy Commissioner; Stacey Tayar, Administrative Assistant; and Angela Morris, Secretary.

The Chairman noted for the record that a quorum was present.

Third item on the agenda, Chairman Thompson called for approval or discussion of the Minutes of the Meeting of the State Banking Board held March 19, 2003. Member Conn made the motion for approval. Motion was seconded and approved as follows:

Gary Huckabay – voted yes
Gordon Greer – voted yes
Bob Newcomb – voted yes
Chris Conn – voted yes
John Goad – voted yes

Fourth item on the agenda, Commissioner's Monthly Reports:

Chairman Thompson gave Board members a copy of the Annual Report of the Department. He also gave them a copy of a letter to the Comptroller of the Currency regarding uninsured national banks merging into non bank affiliates, with the surviving banks being the non bank affiliates.

B. Examination Report .

Chairman Thompson gave the monthly examination report showing that during the month of March three fed member banks, five nonmember banks, two credit unions, and two cemeteries were examined. Examinations in process at the end of March were five banks, four credit unions, one cemetery, and one trust company.

Three examiners and one staff member attended the CSBS Legislative Fly-In with the Commissioner in Washington, D.C. (March 26 and 27).

One Senior Examiner attended the CSBS Trust Forum in Tucson, Arizona (March 31 to April 2).

Chairman Thompson asked for an update on the examination process.

Randy Brooks said at the end of March, the Department was three banks overdue, two are scheduled to begin examination and one is awaiting return of the President to schedule an examination.

C. Legislative Update

Chairman Thompson said H.B. 1522, without the appropriation language, has passed the Senate 43-0. It will be sent to the House for approval of Senate amendments and is scheduled to be heard April 29.

Chairman Thompson said the appropriation language was in H.B. 1522. He left on a Monday for Washington, D.C., thinking the Bill was going to be heard the following Tuesday; he called the Senate staff and was told the appropriation language section was taken out of H.B. 1522 and put into H.B. 1202 and would be heard before the subcommittee the next day, Wednesday, which is the last day that bills could be heard. He then contacted Bob Cullison of the OBA who contacted the Senate and helped with reworking the Bill; Dudley Gilbert represented the Department when the Bill came up in Committee. He said if he hadn't called Senate, the Department would not have known the Bill was going to be heard early. He said the Bill was passed and it is now in conference due to the great work of the OBA and Bob Cullison; the Department owes Mr. Cullison and the OBA a debt of gratitude.

Chairman Thompson said the Senate subcommittee called yesterday to say the Appropriations Bill

it would come down to looking at furloughs and cutting back on travel. He said his concern is the Department will not be able to maintain our agreement with the FDIC and Federal Reserve. He said the Department can't continue funding operations from the revolving fund. He said with all proposals made by the Senate and House, it looks like somewhere between 13-15 days furlough for the Department might be possible.

Member Huckabay asked if that would apply for all employees across the Board?

Chairman Thompson said yes. He said that is a rough estimate based on employees' salaries and what numbers we've been given on cuts.

Chairman Thompson said he will be talking with the Senate Committee today regarding what will happen if the Department doesn't go self-funded.

Chairman Thompson said enclosed in your packet is a copy of the amendment to H.B. 1202. He said this information is what will go into the Appropriations Bill. He said no later than March 1, we would deposit into the general revenue fund approximately \$700,000-\$1 million. That number is still being negotiated on and is a one time deposit only. This would have to be done in order to be revenue neutral. He said at the bottom of page 1, second paragraph, "the Board may charge and collect assessments on an annual basis and may, in addition to any annual assessment, charge and collect a special assessment from each bank or trust company, at rates established by the Board at a regular or special meeting of the Board." He said this language is needed because the Department's budget is approximately \$4 million a year, which runs from July to July. The banks are assessed in January, that money is fronted to the Department from the legislature for January to July for six months. He said the Department has to come up with six months money, which is approximately \$2 million. He said the Department can use revolving money, not replace examiners that have resigned, put off some training programs, and reduce travel and some other items in the agency which would come to approximately \$1 million. This would make the Department short \$1 million. The proposal to the Board is to do a one-time assessment to banks (approximately \$895,544) and credit unions (\$124,805) which would total \$1,020,349. He said with the extra assessment and regular assessment that banks pay, is still considerably lower than what the Comptroller of the Currency would assess.

Chairman Thompson said on page 2(B) "Beginning on the 1st day of March, 2005, and on that day each year thereafter, the Banking Department shall deposit into the General Revenue Fund of the state an amount equal to 20% of the assessments collected pursuant to paragraph 2 of subsection A of this section. The deposit made by the Banking Department under this subsection B shall be in lieu of the amount prescribed by section 211 of Title 62 of the Oklahoma Statutes, which shall not apply to the Banking Department or Banking Board. No portion or percentage of any fees collected by the Department, Commission on Banking Board shall be deposited into the General Revenue Fund."

Chairman Thompson said we wouldn't need to because the Board controls the assessment rate. He said all the Board would need to do is lower the assessment rate as has been done six times before by the Board.

Member Newcomb said his point is he doesn't think the legislature needs 20% of the Department's revenue. He said most agencies pay 10%.

Chairman Thompson said agencies that pay 10% are paying on everything, which includes their assessments and any fees they generate. The Department will be paying on assessments only and will be able to keep all other fees it generates. He said the Department will be better off by using assessments only because those can be controlled by the Board.

Member Greer said some fees will be raised.

Chairman Thompson said that is correct, and all those fees will be kept by the Department.

Roger Beverage of the OBA said he is optimistic, but it looks good that the Appropriations Bill will pass.

Chairman Thompson asked the Board if they approve of these suggestions.

Member Huckabay suggested an explanatory letter be sent to all banks explaining all of this.

Member Goad said included in the letter should be the comparative fees of the Comptroller of the Currency and how much lower it is even after the first year.

Chairman Thompson said there will be a joint effort by the OBA, the Banking Department and Community Bankers Association on a letter that will go to all state-chartered institutions.

Chairman Thompson said many banks have been contacted and have no problem with paying a special one-time assessment.

Member Greer asked if there is any possibility that at the last minute, they decide to apply the 20% to all amounts collected by the Department?

Chairman Thompson said this Bill will run within the next two weeks. He said he is meeting with the subcommittee today and the House Committee Monday, and if those two are in agreement, there shouldn't be any problems. He said Senator Rick Littlefield and Pro-tem Cal Hobson have been very helpful during this process. He said the OBA has also been very helpful. He said the Senator Admin

The Resolution was that the Board is in support of the proposed amendments to H.B. 1202, including the special assessment and fees, which will make the Department self-funded.

Gordon Greer – voted in favor of the Resolution
Gary Huckabay – voted in favor of the Resolution
Bob Newcomb – voted in favor of the Resolution
Chris Conn – voted in favor of the Resolution
John Goad – voted in favor of the Resolution

Chairman Thompson gave Board members a list of subcommittee members that they are meeting with today at noon and asked them to call on any of those who may be able to help out. He said Stacey or Angela can get them on the phone for you before you leave, if you want to contact any of them.

He said when the Resolution is finalized, the Board will be faxed a copy.

D. Pending Applications

Fifth item on the agenda, Consideration of Request for Approval of Merger of Wichita Bancshares, Inc., Snyder, Oklahoma, with and into Bank of the Wichitas, Snyder, Oklahoma, pursuant to Title 6 O.S. § 1111. :

Marion Bauman, Attorney, was present to answer questions.

Member Huckabay excused himself from the Board and was seated in the audience for this item.

Mr. Bauman said since all applications are the same, he will address them all at once.

Mr. Bauman said essentially the holding company is being merged into the bank and will become a tax advantage to the bank. He said the stock of the bank will be distributed to stockholders of the holding company so they will become the shareholders owning the bank. He said in the 1960's and 1970's the formation of one bank holding companies was a tremendous tax advantage for small banks and the tax advantage is pretty much gone. He said all three of the banks are Sub S banks.

Member Goad asked how many banks are there left that are this way?

Mr. Bauman said approximately 150 banks. He said it costs between \$5,000-\$10,000 a year to keep

Gordon Greer – voted yes
Gary Huckabay – abstained
Bob Newcomb – voted yes
Chris Conn – voted yes
John Goad – voted yes

Sixth item on the agenda, Consideration of Request for Approval of Merger of Southwest State Corporation, Sentinel, Oklahoma, with and into Southwest State Bank, Sentinel, Oklahoma, pursuant to Title 6 O.S. § 1111.:

Marion Bauman, Attorney, was present to answer questions.

Member Huckabay excused himself from the Board and was seated in the audience for this item.

Member Newcomb made the motion to approve the merger. Motion was seconded and approved as follows:

Gordon Greer – voted yes
Gary Huckabay – abstained
Bob Newcomb – voted yes
Chris Conn – voted yes
John Goad – voted yes

Eighth item on the agenda, Consideration of Request for Approval of Merger of Allen Bancshares, Incorporated, Allen, Oklahoma, with and into Farmers State Bank, Allen, Oklahoma, pursuant to Title 6 O.S. § 1111.:

Marion Bauman, Attorney, and Debbie Rinehart, President, were present to answer questions.

Member Newcomb made the motion to approve the merger. Motion was seconded and approved as follows:

Gordon Greer – voted yes
Gary Huckabay – voted yes
Bob Newcomb – voted yes
Chris Conn – voted yes
John Goad – voted yes

Member Conn made the motion to adjourn at 10:50 a.m. Motion was seconded and unanimously approved as follows:

Gordon Greer – voted yes
Gary Huckabay – voted yes
Bob Newcomb – voted yes
Chris Conn – voted yes
John Goad – voted yes

Mick Thompson, Chairman

Gordon Greer

Bob Newcomb

Gary Huckabay

Chris Conn

John Goad