

MINUTES OF THE SPECIAL MEETING
OF THE STATE BANKING BOARD

AUGUST 26, 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 August 25, 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
Gary Huckabay
Chris Conn
Gordon Greer
Bob Newcomb

Members Cartwright and Goad were absent.

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; Rhonda Bruno, Budget Director; 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 June 18, 2003. Member Huckabay made the motion for approval. Motion was seconded and approved as follows:

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

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

A. Department Status Update.

Chairman Thompson said as of today the Department has received \$699,948.00 and have \$335,390.00 outstanding of the Special Assessments. A reminder notice was sent last Friday.

Chairman Thompson said the third Bill signing is set for September 30, 2003, at 10:00 in the Blue Room of the State Capitol. A notice will be sent regarding the Bill signing. The first cancellation was because the Governor's mother was ill; the second cancellation was because she passed away.

B. Examination Report .

Chairman Thompson gave the monthly examination report showing that during the month of August two fed member banks, one nonmember bank, four credit unions, and three cemeteries were examined. Examinations in process at the end of August were nine banks, one credit union, and two cemeteries.

Two examiners (Mike Faulkenberry and Lance Lassiter) graduated from the Graduate School of Banking in Boulder, Colorado. (July 14-25)

Randy Brooks said examinations were current as of the end of July.

Chairman Thompson said the Department lost Senior Examiner Jon Morphis. He will be Vice President of Stillwater National Bank. Recently, Senior Examiner Daryl Jones left to work for First American Bank, Purcell and Senior Examiner Bryan Wynne also had left to work for First American Bank, Purcell, and is now at BancFirst.

Member Greer asked if there are any rules preventing examiners from going to work for banks they recently examined?

Chairman Thompson said not that he was aware of. He said the Department must be training examiners correctly for banks to be hiring them.

Member Greer asked if the Graduate School of Banking in Colorado is regarded as a good school?

Chairman Thompson said yes.

C. Legislative Update

Chairman Thompson gave Board members an article from the Journal Record regarding the next step in self-sufficiency for the Department.

Chairman Thompson said now that the Department is self-funded, it should be able to invest its own funds and receive the interest from those funds since they are not public funds. Currently, the State Treasurer receives the interest from those funds. He said he is going to ask for a study regarding how the interest can be received by the Department. He said if the Department received the interest from those funds, it would be able to charge less fees to banks.

Member Huckabay asked if any other self-funded agencies are investing their own money?

Chairman Thompson said no, not at this time.

Chairman Thompson asked if any Board members have received money from the State Treasurer and had to put up 110% collateral on it?

Member Newcomb said he has had the opportunity to do this, but has not.

Chairman Thompson said there are several million dollars that no bank has invested because of the 110% that has to be put up. He will propose that the State Treasurer work with the banks which will meet certain classifications, that they shouldn't have to put up the 110%. The 110% was something that was done years ago.

Member Huckabay said he isn't opposed to this, but he thought the 110% was brought about because anybody could buy an investment that could go down in value if rates should rise. The idea being was not to throw suspect on the bank's liability, but in the event that interest rates changed and the market value changed, then your investment wouldn't be as worth as much as it originally was.

Chairman Thompson said "1" rated banks would be the ones to do this and there isn't much chance the bank would fail. He said only 80-90% would have to be put up and the bank could pay a better rate if they didn't have to pledge as much.

Member Greer said bank ratings are confidential and the public would be able to figure out that these institutions are "1" rated.

Chairman Thompson said this is just an idea and we can work on the details.

Chairman Thompson said he and Rhonda Bruno, Budget Director, are working on a summary cash flow report that will be available for the Board on a quarterly basis. He said a draft of this report will be sent to the Board to see if it is acceptable.

Chairman Thompson said the Department still has to do a detailed budget request for the state even though the Department is self-funded. He met with the new budget analyst this week.

Member Greer asked if the Department still has to go through central purchasing?

Chairman Thompson said yes.

Member Greer said is it only for show?

Chairman Thompson said no, because the money is now the Department's. It's just an oversight and the Department doesn't have to go through all the appropriation processes. He said deposits still have to be made on a daily basis at the Treasurer's office, and balanced everyday.

Member Greer asked if the Department wanted to build its own building, can the state tell you that you can't do it?

Chairman Thompson said yes. He said the Department still has to follow certain guidelines with the state.

Member Greer asked if the Department is prohibited from having its own building?

Chairman Thompson said no, but would have to receive approval. There are agencies that own their own buildings.

D. Pending Applications

Fifth item on the agenda, Consideration of Application for Authority to Organize a State Chartered Banking Corporation, to be known as First Bartlesville Bank, pursuant to Title 6 O.S. § 301 et seq.

Chuck Foster of the FDIC; Glen Bonner of Bartlesville; Dr. Don Smithson, Organizer; and Dan Buford, Organizer were present to answer questions. A third organizer, William Pritchard, was not present.

Mr. Bonner said he has twenty-five years banking experience which started with First National which changed to WestStar Bank and then changed to Arvest Bank.

Mr. Bonner said there is no locally owned bank in Bartlesville. He said the community needs a locally owned bank and the community is growing and he believes it will do well.

Mr. Bonner said when Conoco-Phillips merged, approximately 400 top employees left for Houston, but 450 others have moved into Bartlesville. He said the headquarters is no longer there, but approximately 450 people are still here and are actively involved in the community.

Mr. Bonner said they have state of the art technology communication system with Phillips. He said he is very involved with the economic development efforts in Bartlesville. He said Wal-Mart is planning to build a distribution facility within the next year to sixteen months which will be a good expansion for Bartlesville.

Member Greer said his recollection over the years is that banks in Bartlesville don't have a lot of problem with deposits, but don't get a lot of loans. He asked if this has changed?

Mr. Bonner said somewhat. He said with the turnover of Phillips, loan demands have increased. He said they don't plan to grow the bank at a fast rate.

Member Newcomb asked if many of the Phillips employees use the local credit union?

Mr. Bonner said yes, mainly for automobile and home loans.

Member Greer asked what the current status of the building site is?

Mr. Bonner said they are working with an individual to tear down and construct a new building on one site. He said the building site is located in a historical district of town and they will have to use a temporary location until some details can be worked out with the Historical Society.

Member Huckabay asked if the lease on the temporary location is for three years?

Mr. Bonner said it will be for a year with two options.

Member Huckabay asked what happens if in three years the new building isn't ready?

Mr. Bonner said this shouldn't be a problem, but he can make the option to stay in the building longer if needed. He said the building they are wanting to buy is brick and the roof has collapsed on it, and it cannot be used for anything. Because of the designation being in the historic district, they have to document why the building can't be used and have steps to take to be able to tear the building down and will need to meet certain specifications on the new building to make it fit into the historic district.

Mr. Gilbert said the application submitted had copies of shareholder agreements that included a Smithson Group and Pritchard Group. Upon reviewing those, the Department had a lot of questions about them and the purpose of those shareholder agreements is to recognize that those two groups were raising funds in which the shares will be issued to individuals and not to a group. He said these two groups were asked to submit new shareholder agreements which there is now an agreement between Mr. Buford and some of his shareholders that he represents, Mr. Pritchard and some of his shareholders that he represents, and Mr. Smithson and some of his shareholders that he represents. He said there are now three organizing shareholders each of which have agreed among themselves to appoint two Board members each and a Board member will be elected by the other six Board members. The seventh member will be Mr. Bonner. He said there were concerns that they expected those groups to be capable of appointing Directors and wanted to be sure they understood it was an election process, and they would be subject to review by the Department. The shareholder agreement has been amended to this effect.

Member Newcomb asked how many shareholders there are?

Mr. Bonner said there are approximately 30 shareholders.

Member Greer asked where the FDIC is on their approval?

Mr. Foster said within the next two weeks approval should be made.

Chairman Thompson said the Department's approval is subject to the FDIC approval.

Member Huckabay asked for clarification on the desired location and the three-year lease.

Mr. Bonner said there are agreements with the principals who own the property. He said the cost estimate to acquire the land and demolish the building will be \$250,000. He said it will cost \$1.5 million to build the new building according to the architect. The building will be 7,500 square feet with a drive-in. The building will be located one block west of the main thoroughfare. He said everything was ready to go until the Historical Society stated their concerns. He said the FDIC was contacted and asked not to act on the application until a resolution was resolved. He said this is when they decided on a temporary location until all problems could be resolved to build the new building. He said it should take approximately six months to satisfy the Historical Society. He said construction of the new bank will be approximately a fourteen month process. He said the current building is an eye sore and has been abandoned for about twelve years and is a danger.

Member Greer made the motion to approve the charter. Motion was seconded and unanimously approved as follows:

Gary Huckabay – voted yes
Chris Conn – abstained
Gordon Greer – voted yes
Bob Newcomb – voted yes
Chairman Thompson – voted yes

Charles Griffith reported that former Bank Commissioner, Wayne Osborn, passed away last Friday.

Member Conn made the motion to adjourn at 10:55 a.m. Motion was seconded and unanimously approved as follows:

Gary Huckabay – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Bob Newcomb – voted yes
Chairman Thompson – voted yes

Mick Thompson, Chairman

Gary Huckabay

Chris Conn

Gordon Greer

Bob Newcomb