

MINUTES OF THE REGULAR MEETING  
OF THE STATE BANKING BOARD

MAY 21, 2003

As first item in order of business on the agenda, Chairman Thompson called the Banking Board meeting to order at 11:00 a.m., pursuant to the Agenda that was posted for public display prior to 11:00 a.m. on May 20, 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  
Cheri Cartwright

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; Paul Qualls, Regional Examiner; and Angela Morris, Secretary.

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

Chairman Thompson introduced new Board member, Cheri Cartwright and congratulated Chris Conn on his reappointment. He said Cheri Cartwright and Chris Conn were both confirmed with the Senate today.

Member Cartwright said she has lived in Norman since 1960. She is the Executive Director of the Sarkeys Foundation which is a charitable organization in Norman. She is a lay member and believes she will be able to represent them well.

Third item on the agenda, Chairman Thompson called for approval or discussion of the Minutes of the Meeting of the State Banking Board held April 16, 2003. Member Newcomb 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  
Cheri Cartwright – abstained

Chairman Thompson welcomed Kevin Lavender, Commissioner of Tennessee Banking Department. He and his staff are here today to look at the Department's filing system. He said this project started many years ago and other states are interested in the system and the Department is glad to share the information regarding the filing system.

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

A. Department Status Update.

Chairman Thompson said H.B. 1202 (Department self-funding bill) is on the House Floor now and passed out of the Senate and House Conference Committees this past Monday afternoon without opposition.

Chairman Thompson said Roger Beverage and Bob Cullison of the Oklahoma Bankers Association did an excellent job getting this Bill through. He also thanked John Bryant of SpiritBank, Peter Regan of F&M Bank & Trust, and Charlie Swinton of BancFirst who were also very instrumental in getting this Bill through. He also thanked Amy Sparks of the Credit Union League, and Jim McKeown of the Community Bankers Association for their help. He said the groundwork to become self-funded began in 1998.

Chairman Thompson said other agencies are receiving additional 7-12% cuts. He said if the Department received additional cuts, they were looking at furloughing each employee 10-11 days.

Chairman Thompson said he plans to set up six to seven regional meetings where banks will be able to attend and he will discuss H.B.1202. He said there will be a direct mailing to the banks from the Department and the Oklahoma Bankers Association will also do a direct mailing and a story in the Oklahoma Banker.

Member Huckabay asked when banks will receive their supplemental assessment?

Chairman Thompson said July-August. He said they plan to get information out as soon as possible so banks will be prepared for the additional assessment.

Chairman Thompson thanked all Board members for their help with getting H.B. 1202 passed.

Member Newcomb asked if there will be any problem with the Governor signing the Bill?

Chairman Thompson said no. The Governor's office has stated they support H.B. 1202.

Member Conn said there is only one person who could have gotten this through and he commended Chairman Thompson for his hard work on this Bill.

Member Huckabay asked if with the passage of this Bill, will this exclude the Department from further cuts?

Chairman Thompson said that is correct. He said H.B. 1202 becomes effective July 1, 2003.

Chairman Thompson said he will invite Representative Randall Irwin of the House and Senator Rick Littlefield of the Senate to attend the July Board meeting to thank them for their help with the passage of the Bill.

Member Greer asked what the final number will be for the supplemental assessment?

Chairman Thompson said \$1,050,000.

Member Greer asked if there will be a formula?

Chairman Thompson said it will be based on 20% of the assessments.

#### B. Examination Report .

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

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

Chairman Thompson asked Mr. Brooks to give an update on where examinations are.

Mr. Brooks said at the end of April, the Department was nine banks overdue, seven are joint examinations with the FDIC or Federal Reserve and it's up to them to do the scheduling and the other two were done in May.

#### C. Legislative Update

Chairman Thompson said H.B. 1522 which was mainly cleanup language passed the House and Senate and was signed by the Governor.

#### D. Pending Applications

Fifth item on the agenda, Request for Conversion from a National Charter to a State Chartered Institution:

##### A. Local Oklahoma Bank, National Association, Oklahoma City, Oklahoma Proposed Name: "Local Oklahoma Bank"

Ed Townsend, Chairman of the Board, Governor George Nigh, Board member and Michael Ford, Attorney, were present to answer questions.

Mr. Townsend said they have been through a thought process for three to four years in what they want to end up with in regulatory structure. He said Commissioner Thompson has been very

persuasive in presenting his case for the state chartered banking system. He said they are an Oklahoma institution committed to serving the market of Oklahoma, with fifty two branches and \$2.8 billion in assets. He felt it appropriate to become a state chartered institution and become a member of the Federal Reserve Bank. He said he feels this will be a better working relationship. He said he has been in the business thirty-four years, starting with the First National Bank of Dallas. He said if he had lead a better working relationship with the regulatory process, Texas would have a better banking landscape today. He feels very convinced that a partnership is needed to do well in this market. He said the maturity level of the State Banking Commissioner is quite good as attested by the examination process which all expectations were more than met, and the examination was very productive, cordial, and thorough. He said they are a very high quality institution and have a very disciplined process.

Mr. Townsend was also concerned with the cost factor. He said the Comptroller of the Currency continues to escalate in their assessment and the state's assessment is much lower. He said he is very impressed with the caliber of people in this organization.

Chairman Thompson asked Mr. Paul Qualls, who was in charge of the examination, if he had any comments?

Mr. Qualls said the size of the bank was intimidating at first. He said BancFirst is the largest state chartered institution currently and the Department's comfortable with their processes since they have been around for so long. He said 42% of the loan portfolio was examined including all major loans. Before that began, they focused on what processes were in place and discovered they have three unique processes. He said one is commercial real estate which includes properties in Oklahoma and throughout the United States. He said the second is the commercial and industrial division in which all the information on the loan is submitted to credit department. That department is in charge of underwriting those loans and determining if it is an acceptable loan, if it complies with policy. After it passes there, the credit department maintains the servicing of those loans instead of the loan officers. He said the third process is consumer lending which was acceptable. He was very impressed with the underwriting. He said the key to the success of this bank is that they have controls in place to weather whatever storms may come. He said if interest rates go down, they have processes in place to handle it.

Chairman Thompson asked if there are any questions by the Board?

Member Huckabay made the motion to approve the conversion. 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  
Cheri Cartwright – voted yes

Member Conn made the motion to adjourn at 11:25 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  
Cheri Cartwright – voted

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Mick Thompson, Chairman

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Gordon Greer

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Bob Newcomb

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Gary Huckabay

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Chris Conn

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John Goad

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Cheri Cartwright