

MINUTES OF THE REGULAR MEETING  
OF THE STATE BANKING BOARD

JULY 21, 2004

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 July 20, 2004. 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  
Chris Conn  
John Goad  
Gordon Greer  
Gary Huckabay  
Bob Newcomb

Member Cartwright was absent.

Also present: Dudley Gilbert, Legal Counsel; Sherbie Kiffin, Assistant Deputy Commissioner; Randy Brooks, Director of Examinations; Kurt Blair, Senior Examiner; Rhonda Bruno, Budget Director; 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 Regular Meeting of the State Banking Board held February 18, 2004. Member Newcomb made the motion for approval. Motion was seconded and approved as follows:

Chris Conn – voted yes  
Gary Huckabay – voted yes  
John Goad – 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 introduced Gary Collins who is on the Oklahoma House of Representatives Staff and was instrumental in getting the Department self-funded through the legislature last year. He said since the Department has gone from appropriated to non-appropriated agency, the

Department falls under a different category with the legislature. Mr. Collins is the direct contact for the Department and has been very helpful.

Chairman Thompson discussed the Expenditure Summary provided to the Board. He said some changes have been made per request of Member Conn at the last meeting. He said expenditures is 4.08% under last year at this time and the Department is 17.5% under budget. The cash balance at the bottom showing the general revenue fund and revolving fund (210) will not be on here after this month. The banking revolving fund (200) and cemetery fund (205) are the two that will be left. The balance for June 2004 is higher than June 2003 because no appropriated dollars will come in July 1 like last year and to equate the expenditures it would take approximately \$1.6 million to run to the end of the year and end up with \$1.7 million in reserves. The Department took a large hit when it lost Local Oklahoma Bank and Gold Bank. He said if the reserves can be built up, there won't be any need to raise the assessment rate at least in the near future.

Chairman Thompson said Rhonda Bruno, Budget Director, is available if there are any questions on this information.

Chairman Thompson said the next page is more detailed. He said salaries and benefits and travel reimbursement make up 90% of the Department's budget. He said item #31 Miscellaneous Administrative Expenses, has gone up because item #39 the totals have gone from \$37,678 to \$15,404 meaning a change in the computer system (CORE) and is only an object code change from #31 to #39.

Member Huckabay asked the Chairman to discuss the performance pay procedures.

Chairman Thompson said the performance pay adjustments are based on the evaluation system set up through the Office of Personnel Management. Each Supervisor evaluates personnel below them to determine performance based adjustments. The legislature passed a mandated pay raise this year for all state employees.

Member Greer asked what the difference is between #21 and #22?

Ms. Bruno said it is how they are paid. She said airfares and hotels are directly billed to the Department.

Member Greer asked why #11 is on the chart twice?

Ms. Bruno said it breaks out the performance pay on the second line.

Member Greer asked if there is a timing difference this year?

Chairman Thompson said probably won't have performance based adjustments because there is a mandated raise, but possibly promotions in some areas.

Chairman Thompson said most pay adjustments for unclassified employees do not have to be approved by OPM, but the Department submits the information to them anyway.

Chairman Thompson said on the third page, the Revenue Report shows a lump sum payment of \$1,050 million to the legislature. In the future this payment will be 20% of assessments.

Member Huckabay asked who benefits from the money that is laying in deposits?

Chairman Thompson said the State Treasury.

Member Greer asked if the 20% will go in effect this year.

Chairman Thompson said yes. He hopes to have graphs and charts next month which will be more clear.

Chairman Thompson asked the Board to let him know if there is any additional information they would like to have.

#### B. Examination Report .

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

Regional Examiner Jeff Bagby spoke on a regulatory update panel at the OBA Intermediate School in Stillwater (June 9);

Commissioner Thompson spoke at the CSBS Senior School in Norman (June 16);

Four (4) Senior Examiners attended the CSBS Examiner Forum in Lake Tahoe, CA (June 21-23);

Nine (9) examiners attended FDIC's Report of Examination & Accounting Issues Training in OKC (June 21);

Four (4) examiners attended the same training in Tulsa (June 25); and

Regional Examiner Paul Qualls conducted a Loan Officer Training Program at Citizens Bank of Edmond for 15 bank employees (June 30).

Member Huckabay asked if anyone knew of a place to send an employee to learn how to make FSA guarantee loans?

Chairman Thompson said the Oklahoma Bankers Association may know.

Chairman Thompson gave the Board members a memo regarding BSA Exams. He said this issue is becoming huge. He said the FDIC has made a statement that if states don't do BSA exams, they will do them anyway meaning there will be two examinations instead of one. The Department is going to start doing BSA reviews in conjunction with regular exams to keep examinations down to one.

One additional examiner is needed at each examination to complete the BSA exam. He said everyone needs to be aware of the Patriot Act and BSA.

Member Huckabay asked if there is any information from other regulators as to what the minimum standards for the BSA exams will be?

Chairman Thompson said he is not aware of any. He asked Mr. Griffith if he knew of anything?

Mr. Griffith said the OBA or the Federal regulators may have information.

#### C. Legislative Update

Chairman Thompson said he will be meeting with the OBA in October to get ready for the next legislative session. If anyone has any legislative suggestions, please let him or Dudley Gilbert know as soon as possible.

#### D. Pending Applications

Fifth item on the agenda, Request for Conversion from a National Charter to a State Chartered Institution pursuant to Title 6 Okla. Stat. §1101 and O.A.C. 85:10-3-17:

##### A. The First National Bank of Calumet, Calumet, Oklahoma Proposed Name: "AllNations Bank"

Jim Britton, Attorney, and Austin Bynum, Chairman of the Board and President of the holding company were present to answer questions.

Mr. Britton said the bank is unique because it is owned by a sovereign nation, Absentee Shawnee Tribe of Indians of Oklahoma, Shawnee, Oklahoma. He said the bank has approval from the Federal Reserve to form the holding company which is AllNations Bancorporation, Inc. and the wholly owned subsidiary is First National Bank, Calumet. He said there are written agreements with the Federal Reserve and Comptroller of the Currency relating to the sovereignty immunity issues and have agreed to enter into a similar agreement with the Department. He said the formal agreement has been executed, but is not dated because the bank will need to change its name and then it can be finalized.

He said Dudley Gilbert has been given the agreement. He said the application submitted to the Department has all information needed to make a decision. The application is subject to approval by the Federal Reserve to become a state member bank. The Department has information regarding the examination and supplemental examination. He said he will be happy to answer any questions.

Chairman Thompson asked Dudley Gilbert to comment on the sovereignty issue.

Mr. Gilbert said this is a limited waiver of sovereign immunity and is called limited because from the tribe's standpoint they don't want to waive sovereign immunity as to all their nonbanking relationships. However, they have waived sovereign immunity as to their relationship with the Department. He said the agreement provides that the charter will be subject to the Department. The bank will comply with banking rules and regulations and state laws. This bank will be under the same

jurisdiction as all other state chartered banks and will be treated no different just because they are tribally owned.

Member Huckabay asked if there has been a court case where waiver was upheld?

Mr. Gilbert said not that he is aware of in the banking context, but these waivers are very common.

Mr. Britton said he is not aware of any cases. He said waivers usually are upheld if they are done correctly. He said as long as the waiver is in writing and been approved by the governing body, they are deemed enforceable. He said the key is the Resolution that approves the tribes execution contains the waiver language, which this does.

Member Huckabay made the motion to approve the conversion. Motion was seconded and approved as follows:

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

Member Conn made the motion to adjourn at 10:33 a.m. Motion was seconded and unanimously approved as follows:

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

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Mick Thompson, Chairman

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Gary Huckabay

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Gordon Greer

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John Goad

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Bob Newcomb

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Chris Conn