

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

NOVEMBER 17, 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 November 16, 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: Charles R. Griffith, Deputy Commissioner; Dudley Gilbert, Legal Counsel; Sherbie Kiffin, Assistant Deputy Commissioner; Tony Reel, 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 Regular Meeting of the State Banking Board held September 15, 2004. Member Goad 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

Chairman Thompson congratulated Member Conn on his recent marriage.

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

A. Department Status Update

Chairman Thompson said he will meet Thursday with the Kel Kelly, President of SpiritBank, Tulsa, and Speaker designee, Representative Todd Hiatt, to discuss his ideas and goals and who the new

Chairman of the House Banking and Finance Committee might be. He said Senator J. Paul Gumm will be the Senate Finance Committee Chairman. He will notify Board members when he knows who the new Chairman is. He said the Department will be working on a clean-up Bill. A draft copy will be sent when it's available. If you have anything to add to the Bill, please get it to him or Stacey within the next couple of weeks.

B. Examination Report .

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

Chairman Thompson said the Department is behind by two bank examinations this month, but will be one ahead next month.

Chairman Thompson said next month there will be two conversions on the agenda and there are two others talking about converting.

All examiners attended a 2-day BSA Training Seminar by the FDIC in OKC (September 8-9);

Assistant Deputy Commissioner Reel attended the CSBS Deputy Seminar in Seattle (September 26-29);

Two examiners (Mathews, Kellum) and one staff member (Brubaker) attended the CSBS Technology Conference (September 28-October 1);

One examiner (Natale) attended the NCUA Small Credit Union Subject Matter Expert Conference in Pittsburg (October 4-8);

One examiner (Qualls) attended the CSBS Instructor Training Seminar in New Orleans (October 18-19);

Assistant Deputy Commissioner Reel attended the CSBS Examiner Education Seminar in New Orleans (October 18-22).

Chairman Thompson said new laptops have been purchased for examiners. These will be needed since as of December 31, the FDIC software will no longer be compatible with their current computers.

Member Huckabay said he saw in the newspaper that the state has signed an agreement to purchase Dell Computers.

Chairman Thompson said that Dell Computers are what the Department purchased.

Member Greer asked what happens to the old laptops?

Chairman Thompson said the Department used to send them to be surplus, but now we transfer the computers to other state agencies. If there is something wrong with them, they are surplus.

Member Newcomb asked if the computers' information is cleaned off before transferring them?

Chairman Thompson said yes.

C. Legislative Update

D. Pending Applications

Chairman Thompson said he knows Board members are reading this report because they've had recent questions about the pending applications.

Fifth item on the agenda, Consideration of Request for Approval of Merger and Application for Certificate to Maintain and Operate a Branch by Acquisition:

- A. Application for Merger of Citizens Bank & Trust Company, Okmulgee, Oklahoma, with and into Citizens Security Bank and Trust Company, Bixby, Oklahoma, pursuant to Title 6 O.S. § 1103.
- B. Branch Application of Citizens Security Bank and Trust Company, Bixby, Oklahoma, pursuant to Title 6 O.S. § 501.2 and O.A.C. 85:10-9-2.
Branch by Acquisition – proposed bank to be acquired and converted to a branch: Citizens Bank & Trust Company, Okmulgee, Oklahoma.
Proposed Name: "Citizens Security Bank and Trust Company"

Bruce Crum, Attorney, and Carlisle Mabrey, President, were present to answer questions.

Mr. Crum said in 1994, Mabrey Bancorporation teamed up with Homer Paul to buy control of Citizens Security Bank in Bixby. He said Mabrey Bancorporation would own 49% and Homer Paul would own 51% and in ten years Mabrey Bancorporation would purchase Homer Paul's interest in the holding company. He said ten years have passed and now have completed the purchase and Citizens Security Bank is a 98% wholly owned subsidiary of Mabrey Bancorporation. As a result of that, for operational reasons, Citizens Bank, Muskogee and Citizens Security Bank, Bixby, will now be one charter. He said the merger is a simple one. He said Muskogee will be merged into Bixby.

Member Newcomb asked if there will be any change in operations.

Mr. Mabrey said they will streamline operations.

Member Conn said there will be one bank and one holding company.

Mr. Crum said yes. He said there will be two mid-level holding companies until next year when one will go away. Mabrey Bancorporation owns three other charters: Morris, Haskell and Wetumka.

Member Huckabay made the motion for approval of the merger. Motion was seconded and approved as follows:

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

Member Newcomb made the motion for approval of the branch. Motion was seconded and approved as follows:

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

Sixth item on the agenda, Consideration and Prescription of the rate of bank and trust company assessments for Oklahoma chartered institutions existing as of December 31, 2004, calculated on institution assets as of December 31, 2004, pursuant to Title 6 O.S. § 211 (A)(2).

Chairman Thompson welcomed Gary Collins from the House of Representatives staff.

Chairman Thompson gave Board members information regarding cap limitations for informational purposes.

Member Huckabay said this is what is held in Oklahoma.

Chairman Thompson said yes.

Chairman Thompson said on the expenditure sheet provided, the Department is 1% above where they were last year. He said the accounts that have a "O" beside them are accounts that don't exist anymore. He said currently the Department is halfway through its first year of being self-funded and surplus has approximately \$1.7 million in it. He said he hopes this amount will be higher at the end of the first year.

Member Greer asked if everything is on a calendar year?

Chairman Thompson said the Department will operate under two scenarios. The assessments come in January, but the state is on July to June fiscal year.

Chairman Thompson said the state has a new computer system that should be going live at any time. This system will combine accounts such as personnel, travel, leave and payroll.

Member Greer asked if this information is for nine months?

Member Newcomb said it is for three months.

Chairman Thompson said expenses are broken out on the next page.

Chairman Thompson said the next page is the Revenue Report.

Member Newcomb asked if this is on a pure cash basis?

Chairman Thompson said yes. He said the last sheet shows each entity that is regulated under the Department and will be looking at each of these areas to see if they need to be changed in how fees are being paid. The Department used to receive a lump sum from the Legislature and now will be looking to see if other areas can better be assessed to help with revenue. For example, cemetery fees have already been raised and currently trust companies do not include fiduciary assets in their assessment figures. Legislation may be enacted to include fiduciary assets.

Member Huckabay asked how much the Department spends on trust companies and if this information can be provided next month.

Chairman Thompson said three people do trust exams and their salaries alone are more than what the trust companies are assessed. The OCC charges a lot more than the state on trust companies.

Member Newcomb said if you double trust company assessments, it only generates \$25,000 additional money.

Chairman Thompson said yes. He said out of the \$25,000, \$5,000 would go to general revenue fund.

Member Greer asked if they were assessed \$1.19 would that help?

Chairman Thompson said changing the way they are assessed, including fiduciary assets, would be the most beneficial way.

Member Huckabay asked how exam fees are charged?

Chairman Thompson said by examination hours and examiners. He said there are currently two examiners going to the Canon Trust School.

Member Greer asked how exams are done on banks with trust powers.

Mr. Griffith said when a bank safety and soundness exam is being done, a trust exam is also done, but is not charged separately.

Chairman Thompson said he feels the Department should leave bank assessments at .19 and if surplus is acceptable next year, possibly lower the assessments.

Member Conn asked if a comfortable level will be reached by this time next year.

Chairman Thompson said yes.

Member Greer said if the Department gets too much in reserves, can the state confiscate from it?

Chairman Thompson said that could happen, but it would have to be done statutorily.

Member Greer said the Department doesn't want to get the reserves too high.

Chairman Thompson said that is correct. He said there will be a mandated pay raise coming up and the IRS may be raising the travel expenses.

Member Huckabay asked how much is in surplus now?

Chairman Thompson said about \$1.7 million by the end of the year.

Member Newcomb made the motion to leave assessments at the same rates as imposed last year, specifically, .19 cents per \$1,000 of assets on the first \$1 billion, \$14 cents per \$1,000 on the assets exceeding \$1 billion, but not exceeding \$2 billion, and .10 cents per \$1,000 on assets exceeding \$2 billion. 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

Seventh item on the agenda, Proposed Executive Session:

- A. The purpose of the proposed Executive Session shall be for discussion of the following item of business: Confidential communications between the Board and its attorney concerning the status of *Ward v. Oklahoma State Banking Department, et al.* before the United States District Court for the Western District of Oklahoma, Case No. CIV-04-919-HE, pursuant to Title 25 O.S. § 307(B)(4) of the Open Meeting Act.
- B. Vote of the Board for adjournment to Executive Session.
- C. Executive Session.
- D. Vote of the Board to return from Executive Session to Regular Session.

Mr. Gilbert said "It is my advice to this Board that public discussion of the agenda items identified for the proposed executive session will seriously impair the ability of this Board to process claims or conduct a pending investigation, litigation, or proceeding in the public interest. Therefore, it is my advice that I discuss these matters with you in an executive session."

Member Newcomb made the motion to enter into executive session at 10:45 a.m. Motion was seconded and unanimously approved as follows:

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

Member Newcomb made the motion to exit from executive session and re-enter into the regular meeting at 11:16 a.m. Motion was seconded and unanimously approved as follows:

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

Eighth item on the agenda, Consideration of changes to the Oklahoma State Banking Department Employee Position Description Manual pursuant to Title 6 O.S. § 201.C.5.

Chairman Thompson said the minimum and maximum amounts are being changed because of the mandated pay increase and the provisions of H.B. 2005 and 2006. He said there have been no changes to the job descriptions.

Member Huckabay asked if the amounts will be raised by \$2,100.00?

Chairman Thompson said the minimum and maximums have been raised by \$5,000.00 increments and will cover any other mandated raises.

Member Huckabay asked if there is a minimum and maximum on the Commissioner's?

Mr. Gilbert said the Board is required to set the Commissioner's salary and the ranges are set forth in the information included in his packet.

Member Greer said he reads H.B. 206 to establish a midpoint January 1 and maximum July 1.

Chairman Thompson said that is correct.

Member Huckabay asked if this Position Description Manual is approved annually.

Chairman Thompson said yes, but that each year does not necessarily have salary changes. For example, last year the position of Assistant Deputy Commissioner was added.

Member Greer made the motion to approve the job descriptions and salaries proposed and that the Commissioner's compensation being set at the midpoint set forth in H.B. 2006 starting January 1 and at the maximum set forth in H.B. 2006 beginning July 1, 2005. Motion was seconded and unanimously approved as follows:

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

Chairman Thompson said the meeting date for December may change depending upon how quickly the two conversion examinations can be processed.

Member Goad made the motion to adjourn at 11:30 a.m. Motion was seconded and unanimously approved as follows:

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

Mick Thompson, Chairman

Gary Huckabay

Gordon Greer

John Goad

Bob Newcomb

Chris Conn