

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

DECEMBER 21, 2005

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 December 20, 2005. Notice of the meeting was also made available to the Secretary of State pursuant to Title 25 O.S. § 311 (The Open Meeting Act). 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
Bob Newcomb

Member Cartwright was absent. Member Huckabay arrived at 10:08.

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

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

Third item on the agenda, Chairman Thompson said on page nine of the November minutes, the sentence "He said seventy-six banks pay less ..." should be changed to read "He said state chartered banks pay less". He said the next correction is "Chairman Thompson said \$2 million has been reserved in six months and another \$2 million will be reserved for another six months" should be changed to read "Chairman Thompson said approximately \$2 million has been reserved in six months and approximately another \$2 million will be reserved for another six months." Also, "Member Newcomb made the motion to set bank assessments at the rate of \$.19 per \$1,000 of assets as of December 31, 2005" should be changed to read "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". Chairman Thompson called for approval or discussion of the Minutes of the Regular Meeting of the State Banking Board held November 16, 2005, with the above noted corrections:

Member Goad made the motion for approval. Motion was seconded and approved as follows:

Chris Conn – voted yes
John Goad – voted yes

Gordon Greer – voted yes
Bob Newcomb – voted yes

Chairman Thompson said last month Member Huckabay asked for additional information regarding schools and made available copies of this information for the Board's review.

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

A. Department Status Update

Chairman Thompson said he has received comments from two trust companies regarding the assessment rate approved last month. He told the Board members that if they received any comments or questions, they may refer them to the Department. The Commissioner explained again that the reason for the increase was to make sure each industry group regulated by the Department pays an amount necessary for its supervision.

Chairman Thompson said the FFIEC (Federal Financial Institute Examination Counsel) is an organization whose members are Chairman of the FDIC, Comptroller of the Currency, Vice Chairman of the Federal Reserve, Director of the Office of Thrift Supervision, and the Chairman of NCUA. He said has been asked to serve as the representative from the states on this counsel. He'll meet quarterly in Washington, DC.

Member Greer asked if anyone has been named as new Chairman of the FDIC?

Chairman Thompson said not officially. He said he hopes it will be a state banking commissioner.

B. Examination Report .

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

Two examiners and Computer Support Specialist attended the CSBS Technology Conference in Austin, Texas.

One examiner attended the Money Transmitter Regulators Association Annual Meeting and Conference in Charleston, South Carolina. The Department is going to begin review of how to become more involved in Money Transmitters.

Assistant Deputy Commissioner Reel attended the CSBS Examiner Education Forum (EEF) in Alexandria, Virginia. Mr. Reel is Chairman of Curriculum for CSBS.

Two Senior Examiners and ADC Reel attended the CSBS Curriculum Committee Meeting following the EEF.

One Credit Union Examiner attended the NASCUS Advanced Bank Secrecy Act/Anti-Money

Laundering Training in Nashville, Tennessee.

Two examiners attended the CSBS Graduate School of Bank Secrecy Act/Anti-Money Laundering in Washington, D.C.

Four examiners attended the OSU Fall Tax Institute Seminar in Oklahoma City.

Commissioner attended the CSBS Supervisors Symposium in San Diego.

Member Huckabay asked what the increase in assessments was for the trust company that was mentioned earlier?

Chairman Thompson said approximately \$20,000. Two trust companies will have a decrease in assessments.

Mr. Brooks said examinations were behind by one at the end of November.

C. Legislative Update

Chairman Thompson said the OBA has a couple of bills they are preparing this year.

D. Pending Applications

Chairman Thompson asked if Board members are receiving pending applications.

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

Bruce Crum, Attorney, and Dean Meyer, President were present to answer questions.

Mr. Crum said the transaction is a combination of the banks in Cleo Springs and Meno and relocation of The Farmers State Bank, Hazelton, Kansas. He said the Cleo Springs and Meno holding companies would be put together and Cleo Springs will be the survivor. Immediately following that Cleo State Bank and Meno Guaranty Bank will be merged together. It started out to be a simple bank merger, but there was a desire to preserve the charter of Meno Guaranty Bank and decided on purchase and assumption transaction between Cleo Springs and Meno. He said Cleo Springs would purchase almost all the assets and assume all liabilities of Meno Guaranty Bank. He said immediately Meno Guaranty Bank would be left with \$5 million in equity and distribute the equity to Cleo State Bank holding company. The next part is to combine The Farmers State Bank, Hazelton, Kansas, with the Meno Guaranty Bank charter and the Meno Guaranty Bank would be the survivor. The Farmers State Bank, Hazelton, Kansas, would become a branch. He said for tax reasons the Meno charter, which is a corporation and stock owned by Hazelton Bancshares, before the merger of The Farmers State Bank into the Meno charter. After the mergers of Cleo Springs and Meno, Cleo Springs will own the stock. All entities are owned by Jarrett Parker's trust. He said the Meno stock will be distributed to the Parker Trust as a special dividend and the other shareholders will receive cash. All these things happen simultaneously. At this point and time Hazelton Bancshares owns two banks: The Farmers State Bank, Hazelton, Kansas, and Meno Guaranty Bank. The Farmers State Bank will be merged into Meno Guaranty Bank and The Farmers State Bank, Hazelton, Kansas, becomes a branch. He said this is all being done because Jim, who is the trustee, plans to possibly sell the Meno Guaranty Bank charter to someone who wants to start a small

bank charter.

Chairman Thompson asked if they are also interested in the Kansas bank?

Mr. Crum said no.

- A. Application of Cleo State Bank, Cleo Springs, Oklahoma, to Purchase Certain Assets and Assume Certain Liabilities of Meno Guaranty Bank, Meno, Oklahoma, pursuant to Title 6 O.S. § 1109.
- B. Branch Application of Cleo State Bank, Cleo Springs, Oklahoma, pursuant to Title 6 O.S. § 501.2 and O.A.C. 85:10-9-2.
Proposed Name of branch to be located at Highway 60 and Main Street, Meno, Oklahoma : "Meno Guaranty Branch of Cleo State Bank"

Member Newcomb made the motion to approve the Application of Cleo State Bank, Cleo Springs, Oklahoma, to Purchase Certain Assets and Assume Certain Liabilities of Meno Guaranty Bank, Meno, Oklahoma, pursuant to Title 6 O.S. § 1109. Motion was seconded and approved as follows:

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

Member Greer made the motion to approve the Branch Application of Cleo State Bank, Cleo Springs, Oklahoma, pursuant to Title 6 O.S. § 501.2 and O.A.C. 85:10-9-2.
Proposed Name of branch to be located at Highway 60 and Main Street, Meno, Oklahoma : "Meno Guaranty Branch of Cleo State Bank". Motion was seconded and approved as follows:

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

Sixth 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 The Farmers State Bank, Hazelton, Kansas, with and into Meno Guaranty Bank, Meno, Oklahoma, pursuant to Title 6 O.S. § 1111.
- B. Branch Application of Meno Guaranty Bank, Meno, Oklahoma, pursuant to Title 6 O.S. § 501.1 and O.A.C. 85:10-9-2.
Proposed Name: "The Farmers State Bank" to be located at 401 East Main Street, Hazelton, Kansas

Member Goad made the motion to approve the Application for Merger of The Farmers State Bank, Hazelton, Kansas, with and into Meno Guaranty Bank, Meno, Oklahoma, pursuant to Title 6 O.S. § 1111. Motion was seconded and approved as follows:

Chris Conn – voted yes

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

Member Conn made the motion to approve the Branch Application of Meno Guaranty Bank, Meno, Oklahoma, pursuant to Title 6 O.S. § 501.1 and O.A.C. 85:10-9-2.

Proposed Name: "The Farmers State Bank" to be located at 401 East Main Street, Hazelton, Kansas. Motion was seconded and approved as follows:

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

Member Goad made the motion to adjourn at 10:30 a.m. Motion was seconded and unanimously approved as follows:

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

Mick Thompson, Chairman

Chris Conn

John Goad

Gordon Greer

Gary Huckabay

Bob Newcomb