

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

MARCH 15, 2006

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 March 14, 2006. 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
Gary Huckabay

Member Cartwright and Member Newcomb were absent.

Also present: Dudley Gilbert, Legal Counsel; Charles Griffith, Deputy Commissioner; Tony Reel, Assistant Deputy Commissioner; Sherbie Kiffin, Assistant Deputy Commissioner; and Angela Morris, Secretary.

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

Member Goad made the motion for approval of minutes of meeting held January 18, 2006. Motion was seconded and approved as follows:

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

Member Conn exited the meeting to attend to an OBA Conference Call.

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

A. Department Status Update

Chairman Thompson reported that Randy Brooks, Director of Examinations, has been diagnosed with a brain tumor, and the doctors are uncertain whether or not it's malignant, but feel because of the size of it he must have surgery.

Chairman Thompson gave Board members copies of the new Governor's Report and went over general information that is in the Report.

Chairman Thompson said he and some other employees will be attending the CSBS Fly-In March 28 in Washington, DC. They will meet with Sarbanes, Representative Mike Oxley and the new Federal Reserve Chairman Bernanke, and Vice Chairman Gruenberg of the FDIC. He said we also have meetings with Congressmen Lucas, Boren and Cole.

B. Examination Report .

Chairman Thompson gave the monthly examination report showing that during the month of February two fed member banks, five nonmember banks, two credit unions, two savings and loans, and one cemetery were examined. Examinations in process at the end of February were three banks, two credit unions, one cemetery, and one money order company.

One Senior Examiner attended CSBS Liquidity and Capital Markets Seminar.

One Senior Examiner graduated from Cannon Trust School.

Three examiners attended OBA Commercial Lending School.

The Commissioner attended OBA Senior Management Conference. Deron Brubaker, Department Tech Support Specialist, provided Audio/Visual support.

C. Legislative Update

Chairman Thompson discussed H.R. 3997, (Financial Data Protection Act of 2006) which preempts state law concerning data security, credit freezes, and limits enforcement of violations to federal regulators. It is an erosion to state rights.

Member Huckabay asked why the Bill has been introduced?

Chairman Thompson said it is another attempt to consolidate all regulatory authority over the enforcement of data security.

Member Huckabay asked if federal regulators are behind this?

Chairman Thompson said probably. He said also the Wal-Mart hearings are ongoing. The FDIC will not approve any further ILC until they have a full Board. He said if you have any comments or concerns, they will be accepted by the FDIC until March 28, 2006.

Chairman Thompson said H.B. 2483 and S.B. 1664 have passed out of their respective house of origin. He said there has been no opposition so far. He said these Bills reduce the Department's amount given to the General Revenue from 20% to 10%. It also adds wire transfer regulation to the Department.

Member Huckabay said he talked with Mr. Gilbert and Mr. Goad regarding the commercial real estate guidance issued by the federal regulators.

Mr. Gilbert said the FDIC, Federal Reserve and OCC rule proposed "interagency guidance" which was issued in January and the comment period ends April 14, 2006. What's driving this is the federal regulators believe there is a softening in the real estate market and they are trying to set up concentration limits for commercial real estate. He said they may require additional capital. The problem is it doesn't identify how much additional capital is required. The real estate market in Oklahoma is reasonable. He said originally CSBS had positive feedback, then a turn resulted in negative comments regarding the commercial real estate rule. He said that the tone of the CSBS comment is that federal regulators don't need to tell bankers how to do a business that they are experienced in.

Member Huckabay said there is no consideration of a bank's equity in its loan portfolio.

Member Conn returned at 10:23 a.m.

Chairman Thompson said if you have any comments regarding this issue, get them to Mr. Gilbert in writing. He said this is another example why staff spends so much time with CSBS.

D. Pending Applications

Fifth item on the agenda, Consideration of Request by SpiritBank, Tulsa, Oklahoma, to issue subordinated debentures, pursuant to Title 6 O.S. §410 and O.A.C. 85:10-3-16.

Trevor Kelly, President of the Oklahoma City Branch, was present to answer questions.

Mr. Kelly said he provided Board members with a memo outlining the bank's plan. He said a similar request was approved in 2001. He said last fall the bank requested to be allowed to extend the original request to allow an extension of the maturity date. This new request is to issue an additional \$2 million in subordinated debentures. He said the request is in compliance with the rule and statute. He said essentially it will improve the Tier 2 capital in the bank. The bank plans to stay above the 10% ratio and these debentures will help enhance capital position.

Member Huckabay asked if these are on any type of schedule?

Mr. Kelly said yes. He said most originated at maturity dates of eight years.

Member Huckabay asked if it is advertised?

Mr. Kelly said no.

Member Greer asked about the reduction in the capital classifications as the debentures mature.

Mr. Kelly said that after they reach five years, you can classify 80% as Tier 2 capital and it goes down 20% per year until maturity.

Member Huckabay asked if it's offered to the public?

Mr. Kelly said no, only private placement. He said they use banks with skinny loan portfolios.

Member Huckabay asked if the rate is always a floating rate?

Mr. Kelly said yes.

Member Greer asked if BancFirst owns any of the debentures.

Mr. Kelly said no.

Member Goad made the motion to approve the Application. Motion was seconded and approved as follows:

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

Member Conn made the motion to adjourn at 10:32 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

Mick Thompson, Chairman

Chris Conn

John Goad

Gary Huckabay

Gordon Greer