

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

NOVEMBER 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 November 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
Bob Newcomb

Members Burrage, Greer, and Meyer were absent.

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

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

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

Chris Conn – voted yes
John Goad – voted yes
Bob Newcomb – voted yes

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

Chairman Thompson said the new building has been finalized on the electrical, mechanical, and structure decisions. Now, the color scheme for the interior is being selected. He showed everyone what colors have been selected. He said the new building will be located at 28th and Lincoln, across from the Agriculture Building.

Chairman Thompson said the money transmitter rules are in process of being formalized. The notice of intent will be submitted within the next week. He said the rules are 18 pages long and should be available to the Board within the next 30 days. The hearing for adopting the rules will be on the January Board agenda.

Chairman Thompson said the Department will be 99 years old tomorrow. Friday the Department is having a staff meeting and award banquet if anyone would like to attend.

B. Examination Report.

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

One senior examiner attended Money Transmitter Regulatory Association Annual Meeting and Conference.

C. Legislative Update.

Chairman Thompson said the Department met with the Oklahoma Bankers Association yesterday to discuss upcoming legislation. One item was the ILC amendment which prohibited some ILC branching. This will be cleaned up with the right terminology and included in the Code.

Mr. Gilbert said the Federal Regulatory Relief Bill was passed in the last 30 days. This bill includes a provision that increases for national banks their investment in community development companies from 10% to 15%. The Department will change Section 402.18 in the Banking Code from 10% to 15%.

Mr. Gilbert said there was also discussion to clarify some deposit account provisions of the Code so they would apply to all depository institutions.

Chairman Thompson said if anyone has any changes, let the Department know soon.

Chairman Thompson said it's been several years since the rules have been looked at. He said there will be a Task Force made up of the Oklahoma Bankers Association, examiners, outside counsel to review all the rules and update them for next years rulemaking.

Chairman Thompson said there is a possibility for a new banking Chairman in the Oklahoma House of Representatives and new Finance Chairman in the Oklahoma Senate. He said Congressman Barney Franks will be Chairman in the U.S. House of Representatives and he supports community banking. He is also a supporter of CSBS.

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 The First National Bank of Chelsea, Chelsea, Oklahoma, with and into Lakeside State Bank, Oologah, Oklahoma, pursuant to Title 6 O.S. § 1103.
- B. Branch Application of Lakeside State Bank, Oologah, Oklahoma, pursuant to Title 6 O.S. § 501.2 and O.A.C. 85:10-9-2.
Branch Location – 516 Walnut, Chelsea, Oklahoma
Proposed Name: “Lakeside State Bank ”

Steve Savage, President of Lakeside State Bank, Oologah, and Dave Sanders, Director of The First National Bank of Chelsea were present to answer questions.

Mr. Savage said the two banks have enjoyed a long relationship for a number of years. The bank in Chelsea was purchased by the Sanders family in 1969 and later the Sanders family chartered the Lakeside State Bank, Oologah, in 1975. There has been a close relationship for all these years, have

common ownership, and work together on a number of products and services. He said with the environment in banking today they are taking advantage of the efficiencies of being one bank. He said it will also be more profitable.

Chairman Thompson said Tony Reel worked on the analysis if there are any questions on it.

Member Newcomb made the motion to approve the merger. Motion was seconded and approved as follows:

Chris Conn – voted yes
John Goad – voted yes
Bob Newcomb – voted yes

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

Chris Conn – voted yes
John Goad – voted yes
Bob Newcomb – voted yes

Mr. Savage thanked the Board for their time.

Chairman Thompson thanked them for converting the bank to a state institution.

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 First Bank of Haskell, Haskell, Oklahoma, with and into Citizens Security Bank & Trust Company, Bixby, Oklahoma, pursuant to Title 6 O.S. § 1103.
- B. Branch Application of Citizens Security Bank & Trust Company, Bixby, Oklahoma, pursuant to Title 6 O.S. § 501.2 and O.A.C. 85:10-9-2.
Branch Location – 202 North Broadway, Haskell, Oklahoma
Proposed Name: “Citizens Security Bank & Trust Company, Bixby ”

Bruce Crum, Attorney, was present to answer questions.

Mr. Crum said the First Bank of Haskell has been owned by Mabrey Corporation since the 1980s. He said this was the first holding company that he worked on out of law school. He said both banks are subsidiaries of the Mabrey Corporation and he said this is a simple consolidation for operating efficiencies. The merger of The First Bank of Haskell into Citizens Security Bank & Trust Company, Bixby, all stock has been cancelled and combined, and is well capitalized. He said The First Bank of Haskell is 100 years old. Carl Cash, President, retired in September which is the basis for the timing of the merger.

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

Chris Conn – voted yes
John Goad – voted yes
Bob Newcomb – voted yes

Member Conn made the motion to approve the branch application. Motion was seconded and approved as follows:

Chris Conn – voted yes
John Goad – voted yes
Bob Newcomb – voted yes

Commissioner Thompson thanked them for coming to the meeting.

Seventh item on the agenda, Consideration and Prescription of the rates of bank and trust company assessments for Oklahoma chartered institutions existing as of December 31, 2006, calculated on institution assets as of December 31, 2006, pursuant to Title 6 O.S. § 211 (A)(2).

Chairman Thompson said the Board is asked to review the assessment rates every November for banks and trust companies. He said the Department has two sets of budget they follow: the state works on fiscal (July to June) and assessments are based on calendar (January – December).

Chairman Thompson said there was a review of the total growth in assessments in the last three years. He said in 2003 it was 2.32%, 2004 it was 5.84%, and in 2005 it was 5.59%. He said the average is 4.6% in three years.

Chairman Thompson said the state financial institutions were assessed a special assessment in 2003 to help the Department become self-funded and institutions were told this money would eventually come back to them.

Chairman Thompson said as of June 30 call report figures show the total assets of \$25.6 billion and should be approximately \$25.8 billion by year end. Last year's assessment was \$.19 cents per \$1,000 and if you use that number for year end, the Department would bring in approximately \$4.9 million in assessments. If you lower the assessment to \$.18 cents per \$1,000, the Department would bring in approximately \$4.6 million in assessments, meaning a reduction of 5 ¼% with a savings to the industry of approximately \$258,000.

Chairman Thompson said reducing the assessment rate should be no problem with the continued growth and conversions. He also mentioned that the FDIC will be assessing premiums against all banks for the first time in several years, and this reduction will help offset FDIC expenses.

Member Conn said if a large bank is lost, would a special assessment be advised?

Chairman Thompson said only as a last resort.

Chairman Thompson said with the new building the Department should be able to recoup some money for not having to pay lease payments and having larger asset growth.

Member Newcomb made the motion to assess trust companies at the following rates: (1) a rate of \$.18 cents per \$1,000 of company-owned assets, plus (2) a rate of \$.10 cents per \$1,000 of assets under management, but this portion of the assessment be capped at \$25,000. Motion was seconded and approved as follows:

Chris Conn – voted yes
John Goad – voted yes
Bob Newcomb – voted yes

Member Goad made the motion to assess banks at \$.18 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
John Goad – voted yes
Bob Newcomb – voted yes

Chairman Thompson said December 20 Board meeting may be changed to December 13. Board members will be called to make sure this date is acceptable.

Member Newcomb made the motion to adjourn at 10:34 a.m. Motion was seconded and unanimously approved as follows:

Chris Conn – voted yes
John Goad – voted yes
Bob Newcomb – voted yes

Mick Thompson, Chairman

Chris Conn

John Goad

Bob Newcomb