

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

FEBRUARY 20, 2008

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 February 19, 2008. 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
David Burrage
Chris Conn
Gordon Greer
Bradley Krieger
Bob Newcomb
Bob Weaver

Also present: Charles Griffith, Deputy Commissioner; Sherbie Kiffin, Assistant Deputy Commissioner; Tony Reel, Assistant Deputy Commissioner; Paul Qualls, Regional Examiner; Dudley Gilbert, Legal Counsel; Rhonda Bruno, Budget Director/Controller; and Angela Morris, Secretary.

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

Third item on the agenda was the approval of the minutes for the special meeting held February 14, 2008.

Member Greer made the motion for approval of the minutes. The motion was seconded by Member Krieger and approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Bradley Krieger – voted yes
Bob Newcomb – voted yes
Bob Weaver – voted yes

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

A. Department Status Update

Chairman Thompson gave Board members a copy of the Department’s Annual Governor’s Report. He also passed around photos of the new department building.

Rhonda Bruno was present to answer questions.

B. Examination Report

Chairman Thompson said during the month January, four fed member banks, three non member banks, one credit union, two trust departments, and one cemetery exam was examined. He said examinations in process at the end of January were one bank, one credit union, and one conversion exam.

Chairman Thompson said for January, two Regional Examiners, General Counsel and Deputy Commissioner attended an FDIC Bank Resolution Seminar in Washington, DC; one Senior Examiner graduated from Cannon Trust School (the Department now has three certified trust examiners that are nationally accredited); two Credit Union Examiners attended NCUA Matrix Elimination Seminar; and two Senior Examiners attended Cannon Trust Graduate School.

C. Legislative and Rulemaking Update

Chairman Thompson said H.B. 2725, the Department's Bill, passed the House Economic Development and Financial Services Committee and will now be heard on the House Floor.

Chairman Thompson said H.B. 3381, the bill that abolishes Consumer Credit and transfers part of that Department to the Banking Department, is still alive. Next Thursday is the deadline for this bill to be heard.

Member Newcomb asked what happens if it isn't heard by next Thursday?

Chairman Thompson said it will die in Committee if an extension is not filed.

Chairman Thompson said the OBA and the Department are monitoring several bills. There are two bills that could change the makeup of Board members.

D. Report to the Board on status of pending applications.

Chairman Thompson asked if Board members have any questions regarding the pending applications report they receive weekly.

Fifth item on the agenda:

Consideration of, and possible action on, Application for Authority to Engage in the Banking Business by a corporation to be known as Sunrise Bank of Norman, Norman, Oklahoma, pursuant to Title 6 O.S. § 301 et. seq.

Member Thompson said Sherbie Kiffin prepared the Department Analysis and is present to answer questions.

Stan Ricketts and Clayton Harmon were present to answer questions.

Mr. Ricketts said Capitol Bancorp will own 51% of Sunrise Bank of Norman. He said the request is to form a bank in Norman and he met with Clayton Harmon approximately a year ago to open a bank because of their select board and staff.

Mr. Ricketts said they have been a publicly traded company since 1988. Their company has 62 banks nationwide in 15 states. They plan to expand further geographically to various other regions in the country. The bank has many unique qualities such as raising local money and having back room functions serviced by the holding company.

Chairman Thompson said investors will have a safety net where after three years they'll be able to possibly make an exchange offer.

Member Newcomb asked about the progress of raising additional capital.

Mr. Harmon said as of yesterday they had \$1.8 million and should have another \$1 million today. They hope to have what they need in 30 days.

Member Krieger asked if most of the money is coming out of Norman.

Mr. Ricketts said approximately 90% is from Oklahoma City and Norman.

Member Burrage asked what happens if you fall short of capital.

Mr. Ricketts said this is not anticipated and the time can be extended if necessary.

Chairman Thompson asked how many applications are in other states.

Mr. Ricketts said seven. One opened recently in Colorado.

Member Conn asked how many new charters have been opened in the last two years.

Mr. Ricketts said approximately 20.

Member Conn asked how they are operating.

Mr. Ricketts said they are close to breaking even. They start out as a modest operation and build to break even by 2 years. He said they have had credit challenges in Michigan because of real estate and commercial real estate.

Member Newcomb asked if there will be a drive through at this facility

Mr. Ricketts said no. They are mainly aimed for small businesses.

Chairman Thompson asked if Dick Houseworth, former Commissioner of Arizona, is still working for the company.

Mr. Ricketts said yes.

Chairman Thompson asked what future plans are in Oklahoma for additional banks.

Mr. Ricketts said they would probably wait 3-4 years before opening another bank here at this time. They plan to have 100 banks nationwide within 5 years.

Chairman Thompson asked if they have any branches.

Mr. Ricketts said they have two acquired branches.

Member Newcomb said their proformas are very aggressive. Member Newcomb made the motion for approval of the Application for Authority to Engage in the Banking Business by Sunrise Bank of Norman, Norman, Oklahoma. The motion was seconded by Member Conn and approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Bradley Krieger – voted yes
Bob Newcomb – voted yes
Bob Weaver – voted yes

Sixth item on the agenda:

Consideration of, and possible action on, request by Union Bank, National Association, Oklahoma City, Oklahoma, for conversion from a national charter to a state chartered institution pursuant to Title 6 O.S. § 1101 and O.A.C. 85:10-3-17; Proposed Name: “Union Bank

Bruce Crum, Attorney, was present to answer questions. Paul Qualls prepared the Department Analysis and was present to answer questions.

Mr. Crum said Mr. Sterkel could not attend the meeting because he had another Board meeting at the same time.

Chairman Thompson said Mr. Sterkel called and said he could attend and miss his other meeting if necessary. Chairman Thompson told him if Mr. Crum attended the meeting, that would be enough.

Mr. Crum said in the fall, Rose Rock Bank converted to a national charter because of FDIC requirements. The ultimate objective was to become a state charter again.

Chairman Thompson said he didn't agree with the FDIC's previous decision that led to this bank having to merge into a national charter. He said two state charters will result from this if approved.

Mr. Crum said the bank will be a fed member.

Member Newcomb asked if there are any national charters involved.

Mr. Crum said all national banks are in Texas.

Member Conn made the motion for approval of the request by Union Bank, National Association, Oklahoma City, for conversion from a national charter to a state chartered institution. The motion was seconded by Member Newcomb and approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Bradley Krieger – voted yes
Bob Newcomb – voted yes
Bob Weaver – voted yes

Seventh item on the agenda:

Consideration and possible adoption of new and amended rules proposed under Chapter 1 and Chapter 10 of Title 85 of the Oklahoma Administrative Code, pursuant to Title 6 O.S. § 203 and Title 75 O.S. §§ 302, 305 and 307.

- A. Public comments, if any.
No public comments were made at the hearing.
- B. Discussion and possible adoption of the following rules:

Chapter 1. Required Rules

Subchapter 1. General Provisions

- 85:1-1-1 Purpose [AMENDED]
- 85:1-1-2 Definitions [AMENDED]
- 85:1-1-4 Operation and location of the Board and Department [AMENDED]
- 85:1-1-5 Communication with the Board and Commissioner [AMENDED]
- 85:1-1-6 Requests for Information [NEW]

Subchapter 3 Procedural Rules

- 85:1-3-1 Records and transcripts [AMENDED]
- 85:1-3-2 Service of Pleadings [AMENDED]
- 85:1-3-3 Commencement of a proceeding; intervention; consolidation [AMENDED]
- 85:1-3-7 Production of Documents [AMENDED]
- 85:1-3-9 Examiner testimony [AMENDED]
- 85:1-3-10 Examination reports - confidentiality [AMENDED]
- 85:1-3-11 Pre-hearing conference [AMENDED]
- 85:1-3-12 Witness and subpoenas [AMENDED]
- 85:1-3-14 Order of proof [AMENDED]
- 85:1-3-19 Complaint procedure [NEW]
- 85:1-3-20 Petitions for rulemaking [NEW]
- 85:1-3-21 Declaratory rulings [NEW]

Chapter 10. Supervision, Regulation and Administration of Banks and Trust

Companies

Subchapter 1. General Provisions and Definitions

- 85:10-1-1 Purpose [AMENDED]
- 85:10-1-2 Definitions [AMENDED]

Subchapter 3 Departmental Requirements

- 85:10-3-1 Report of condition [AMENDED]
- 85:10-3-2 Report of change of controlling interest [AMENDED]
- 85:10-3-3 Report of change of chief executive officer or director [AMENDED]
- 85:10-3-4 Report of change of director [REVOKED]
- 85:10-3-10 Increase/decrease in capital stock [AMENDED]
- 85:10-3-11 Change in number or par value of shares [AMENDED]
- 85:10-3-12 Change in name – procedures and requirements [AMENDED]
- 85:10-3-14 Applying for trust powers [AMENDED]
- 85:10-3-15 Abandonment of trust powers [AMENDED]
- 85:10-3-16 Issuance of debentures or capital notes [AMENDED]
- 85:10-3-17 Merger/conversion – national bank or savings association to a state ~~bank~~ charter [AMENDED]
- 85:10-3-18 Records and retention [AMENDED]
- 85:10-3-19 Reserve requirements [REVOKED]
- 85:10-3-20 Registration of bank or trust related activities [AMENDED]
- 85:10-3-21 Fees [AMENDED]
- 85:10-3-22 Organizational expenses [AMENDED]
- 85:10-3-23 Suspicious Activity Reports [AMENDED]

Subchapter 5 Requirements, Standards and Procedures for an Internal Control Program

- 85:10-5-1 Internal Controls [AMENDED]
- 85:10-5-2 Internal Control Program [AMENDED]
- 85:10-5-3 Minimum control elements for bank internal control program [AMENDED]
- 85:10-5-3.1 Internal control program for fiduciary activities of trust departments and trust companies [AMENDED]
- 85:10-5-4 Reports [AMENDED]
- 85:10-5-5 Review and Appointments [AMENDED]

Subchapter 7 Director's Examinations

- 85:10-7-1 Examination procedures [AMENDED]
- 85:10-7-2 Scope of Examination [AMENDED]
- 85:10-7-3 Minimum examination procedures [AMENDED]
- 85:10-7-4 Trust companies [REVOKED]
- 85:10-7-5 Performance of an audit in lieu of examination [NEW]

Subchapter 9 New Banks, Branches, and Other Facilities

- 85:10-9-1 Application for a new bank or trust company [AMENDED]
- 85:10-9-2 Application to establish or relocate a branch ~~or a detached facility~~ [AMENDED]
- 85:10-9-3 Military banking facilities [REVOKED]
- 85:10-9-4 Consumer banking electronic facility [REVOKED]
- 85:10-9-6 Branch/~~detached facility~~ closing [AMENDED]
- 85:10-9-7 Loan Production Office/Deposit origination office [AMENDED]

Subchapter 11 Substantive Guidelines and Restrictions

- 85:10-11-1 Pledging requirements for banks and trust companies [AMENDED]
- 85:10-11-2 Investment securities [AMENDED]
- 85:10-11-3 Real estate lending [AMENDED]
- 85:10-11-4 Safe deposit boxes [AMENDED]
- 85:10-11-5 Interest on deposits [AMENDED]
- 85:10-11-6 Loans and investments in other banks [AMENDED]
- 85:10-11-7 Adjustable rate mortgage loans, graduated payment adjustable mortgage loans and reserve annuity mortgage loans [AMENDED]
- 85:10-11-8 Interest rate futures transactions [AMENDED]
- 85:10-11-9 Operating subsidiaries [AMENDED]
- 85:10-11-9.1 Financial subsidiaries [AMENDED]
- 85:10-11-10 Lending limits [AMENDED]
- 85:10-11-11 ~~Split dollar insurance~~ Bank-owned life insurance [AMENDED]
- 85:10-11-12 Letter of credit; contingent liabilities [AMENDED]
- 85:10-11-13 Loan participations [AMENDED]
- 85:10-11-14 Repurchase agreements of banks with securities dealers and others [AMENDED]
- 85:10-11-15 Insurance [AMENDED]
- 85:10-11-16 Department and safekeeping agreements and fees [AMENDED]
- 85:10-11-17 Unsafe and unsound bank or trust practices [AMENDED]
- 85:10-11-18 Persons qualified to sell title insurance for trust companies [AMENDED]
- 85:10-11-19 Use of confusingly similar names [AMENDED]
- 85:10-11-20 Leasing [AMENDED]

Subchapter 13 Investor Protection

- 85:10-13-1 Prohibition against deceptive advertising [AMENDED]
- 85:10-13-2 Offering circular [AMENDED]
- 85:10-13-3 Advertising [AMENDED]
- 85:10-13-4 Complaint procedure for violations [AMENDED]

Mr. Gilbert said no public comments have been received. He said the history behind these rules was a committee was formed to review all the rules and met numerous times to get them to where they are today. He said there are several members here that were on the committee including himself, Charles Griffith, Paul Foster, Paul Qualls, and Ryne Miller.

Mr. Gilbert discussed the general nature of many amendments, stating that several changes were made in Chapters 1 and 10 due to obsolete language or typographical errors. He also discussed specific changes made in rules where substantive changes were made. The specific changes that were discussed included: publication requirements for branching, change of control notices sent to the Department, the circumstances when the Department may approve in advance a change of control, and confidentiality of Department records.

Member Newcomb requested a change be made to Rule 85:10-3-17. He asked that a sentence be added to subsection (d), paragraph (4), subparagraph (d) to clarify that biographical and financial reports submitted by banks that are converting are strictly confidential. In response to his suggestion, a sentence was added to that subparagraph as follows: “All information supplied under this paragraph shall be confidential and not subject to public inspection for any purpose.”

Member Greer made the motion for approval of all amendments to Chapters 1 and 10 of Title 85 as further revised by the addition to rule 85:10-3-17 as discussed earlier. The motion was seconded by Member Newcomb and approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Bradley Krieger – voted yes
Bob Newcomb – voted yes
Bob Weaver – voted yes

Chairman Thompson thanked the Committee for their hard work on these revisions.

Mr. Gilbert said the rules will be submitted to the Legislature and Governor. The Governor has 45 days to approve the rules. Once the rules are approved, final documents submitted, and published, the rules will be effective 10 days after publication.

Member Greer asked where it’s published.

Mr. Gilbert said in the Oklahoma Register.

Member Conn gave his appreciation to the Committee and commended Mr. Gilbert and staff for their work on the rules.

Chairman Thompson said there may be two new charters on March’s agenda. He asked if Board members would be able to meet March 13th or 14th. Member Newcomb said he could meet March 13.

Eighth item: Adjournment

Motion made to adjourn by Member Newcomb.
Motion seconded by Member Greer.

Motion was approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Bradley Krieger – voted yes
Bob Newcomb – voted yes
Bob Weaver – voted yes

Meeting was adjourned at 11:15 a.m.

Mick Thompson, Chairman

David Burrage

Chris Conn

Gordon Greer

Bradley Krieger

Bob Newcomb

Bob Weaver