

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

MARCH 19, 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 March 18, 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
Bradley Krieger
Bob Newcomb
Bob Weaver

Member Greer was absent.

Also present: Charles Griffith, Deputy Commissioner; Sherbie Kiffin, Assistant Deputy Commissioner; Tony Reel, Assistant Deputy Commissioner; Wayne Arbuthnot, Senior Examiner; Daryl Jones, Senior Examiner; Dudley Gilbert, Legal Counsel; 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 regular meeting held February 20, 2008.

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

David Burrage – voted yes
Chris Conn – 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 said the new building is 40% complete. The last projected cleanup day is July 24, 2008.

B. Examination Report

Chairman Thompson said during the month of February, two non member banks, two credit unions, one cemetery, and one converting bank were examined. He said examinations in process at the end of February were three banks, two credit unions, and one cemetery exam.

The Department is up to date on examinations. Also, the Department is reviewing ways to improve the exam process. Will be requiring more pre examination information before going to the bank for the exam.

Chairman Thompson said for February, two Senior Examiners attended an IT Security Seminar.

C. Legislative and Rulemaking Update

Chairman Thompson said H.B. 2725, the Department's Bill, passed the House Floor 98-0 and is in the Senate. Committee meetings will be held next week.

Chairman Thompson said H.B. 3381, the bill that abolishes Consumer Credit and transfers part of that Department to the Banking Department, did not get a hearing in committee.

Chairman Thompson said H.B. 1961 (supported by the Bureau of Narcotics) makes changes to the Banking Code without the Department's review before changes were made. He's not sure that changes to the licensing statute should be made this quickly because the first licensing process is still being implemented.

Mr. Gilbert said four money transmitter companies were denied a license. One will not appeal and will reapply later after its condition approves. The other three have 30 days to appeal after they were denied. He said these appeals will come to the Banking Board for its review. He will be counsel for the Board and outside counsel will defend the Department in the appeal. The appeals will be brought before the Board in May, June or July. One company asked to not come before the Board until July because it will be having an examination soon which may help in its favor during the appeal process.

Member Newcomb asked what further appeal do these companies have?

Mr. Gilbert said they could go to District Court.

Chairman Thompson reported that the Governor signed the Department's banking rules on March 14.

Chairman Thompson said the Department has formed a Credit Union Rule Committee to go over all credit union rules to be changed next legislative session. Their first meeting is March 26.

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, Request for Approval of Merger of Osage Interim Savings Bank, Pawhuska, Oklahoma, with and into Barnsdall State Bank, Barnsdall, Oklahoma, pursuant to Title 6 O.S. 1103.

Mr. Gilbert said he prepared the Department Analysis. There are no representatives from the merging institutions here for this request.

Mr. Gilbert said Osage Interim Savings Bank, Pawhuska, plans to merge into Barnsdall State Bank.

Member Newcomb asked what the business purpose is for forming the interim charter?

Mr. Gilbert said tax purposes.

Member Newcomb questioned whether this interim merger is permissible by the IRS. He questioned the business purpose of the interim merger.

Mr. Gilbert said he is not able to give an opinion on the tax issues at this time. He stated that both institutions have received approval from the Office of Thrift Supervision and Federal Reserve. He said the Board can table the matter and he will research these tax issues.

Marion Bauman, an attorney in attendance on another matter, said many institutions have done this type of transaction and it's never been challenged by the IRS. He stated he had done many similar transactions in his representation of banks.

Member Newcomb then withdrew objection to this merger.

Member Burrage made the motion for approval of the Application. The motion was seconded by Member Conn and approved as follows:

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

Sixth item on the agenda:

Consideration of, and possible action on, Request for Approval of Merger and Application for Certificate to Maintain and Operate a Branch by Acquisition:

- A. Application for Merger of Waurika National Bank, Waurika, Oklahoma, with and into First Bank and Trust Co., Duncan, Oklahoma, pursuant to Title 6 O.S. § 1103.
- B. Branch Application of First Bank and Trust Co., Duncan, Oklahoma, pursuant to Title 6 O.S. § 501.2 and O.A.C. 85:10-9-2.
Branch Location – 101 N. Main, Waurika, Oklahoma
Proposed Name: "First Bank and Trust Co."

Daryl Jones, Senior Examiner; Wayne Arbuthnot, Senior Examiner; Marion Bauman, Attorney; and Robert Petersen, President of First Bank and Trust Co., Duncan, were present to answer questions.

Mr. Bauman said the FDIC advised him its approval letter would be ready last Friday. He said the Federal Reserve waived the application due to tax reasons. He spoke with Jim Clark of the Federal Reserve and its letter should be issued this week.

Chairman Thompson said from the Department's standpoint, management issues have been corrected. He said Daryl Jones performed the bank exam and Wayne Arbuthnot performed the trust department exam.

Member Newcomb made the motion for approval of the Application for Merger of Waurika National Bank, Waurika, Oklahoma, with and into First Bank and Trust Co., Duncan. The motion was seconded by Member Krieger and approved as follows:

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

Member Conn made the motion for approval of the Branch Application of First Bank and Trust Co., Duncan, Oklahoma. The motion was seconded by Member Newcomb and approved as follows:

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

Seventh item on the agenda:

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

Paul Foster, Attorney; Drew Litsch, President and CEO; Allen Barryman, CFO/EVP; Walter Gillespie, Director/Organizer; Mike McNeil, Mid-America Insurance Group President were present to answer questions. Ralph Burnett and Michelle West, Senior Vice President, would also be helping with the organization of the bank.

Mr. Foster said he will highlight the key items. He said the application involves three regulatory agencies (Federal Reserve, FDIC, Banking Department). He said the Federal Reserve said it intends to approve the Federal Reserve membership for the holding company this week. The FDIC expects to finalize its approval, but are waiting for additional items and these items have been provided.

Mr. Foster said the bank charter will be located in Edmond, Oklahoma. He said the bank will have a core group of people that came from a previous bank as this one, but with a few added people.

Mr. Foster said the Department Analysis is clear and concise.

Mr. Foster said the FDIC inquired about the issue with the capital of \$6 million and seemed to think this was low, but this same group had opened a bank with \$4 million a few years prior and had no problem with gaining adequate capital. The FDIC said once the application was prepared and presented, they were satisfied with the capital.

Member Conn asked what the interest rate was when the \$4 million was in question?

Mr. Foster said it was relatively the same.

Mr. Litsch agreed and said they plan to mirror what they did the first time.

Mr. Foster said the FDIC also questioned what conditions were at the time of the previous charter?

Member Conn asked if they plan to keep their mortgages?

Mr. Litsch said no, they are pre-sold.

Member Conn asked if commercial real estate is a concern?

Mr. Litsch said not really, they are aware of construction loan problems and will be watching this closely.

Chairman Thompson asked how they will raise more capital if needed?

Mr. Litsch said they may consider a trust preferred offering. Some of the original investors weren't included in this plan, but would have like to have been. They may ask them to be included.

Member Burrage made the motion for approval of the Application for Authority to Engage in the Banking Business. The motion was seconded by Member Newcomb and approved as follows:

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

Eighth item: Adjournment

Motion made to adjourn by Member Conn.

Motion seconded by Member Newcomb.

Motion was approved as follows:

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

Meeting was adjourned at 10:42 a.m.

Mick Thompson, Chairman

David Burrage

Chris Conn

Bradley Krieger

Bob Newcomb

Bob Weaver