

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

DECEMBER 16, 1998

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 which was posted for public display prior to 10:00 a.m. on December 15, 1998. 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
Brad Burgess
Chris Conn
Gary Huckabay
Bob Newcomb
Jarrett Parker

Member Mabrey was absent.

Also present: Paul R. Foster, General Counsel; Charles R. Griffith, Deputy Commissioner; Randall J. Brooks, Director of Examinations; Roger Brock, Examiner; and Angela Morris, Secretary.

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

Third item on the agenda, the Chairman called for approval or discussion of the Minutes of the Meeting of the State Banking Board held November 18, 1998. Member Burgess made the motion to approve the minutes. Motion was seconded and approved.

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

A. Department Status Update.

Chairman Thompson reported that the status of the additional space for the Conference Room is still pending and will hopefully be approved soon. The room should be double in size and hopefully be available by the next meeting.

B. Examination Report.

Chairman Thompson gave the monthly examination report showing that during the month of November three banks, one cemetery, and two credit unions were examined. Examinations in process at the end of November were six banks, one trust department, one cemetery and one credit union. During the month of November the following schools were attended by examination personnel: one examiner attended the CSBS Bank Financial Analysis School, Dallas, Texas, for one week. Twenty one examiners attended the FRB Information Systems & Emerging Technologies, Oklahoma City, Oklahoma, for four days.

Member Parker asked if the Department is on target with examinations?

Chairman Thompson said the Department is doing alright, but not where they like to be. Mr. Brooks was asked to give more detail.

Randy Brooks stated that examinations aren't too bad, but are currently behind on a few banks. The schedule is on an 18-month projection which indicates the Department is not in too bad of shape. Chairman Thompson said that a lot of resource and training time have been spent on Y2K, which has caused some delay in exam time. He said that the FDIC has pulled a lot of their staff to work on Y2K.

Member Parker agreed that the FDIC is totally focused on Y2K.

Chairman Thompson said that he and Charles Griffith went to Elk City last week for their 2nd meeting with the FDIC, Federal Reserve Bank, and Comptroller of the Currency to choose approximately twenty agricultural banks in Western Oklahoma to discuss certain problems with these agricultural banks. Between the decision makers of the regulatory agencies and bankers, the meeting went well.

C. Legislative Update

Chairman Thompson said that three bills have been filed by the Department. One is a credit union bill which will have cleanup language, the second is a money order bill which have cleanup language and the third bill is a Commissioner's bill which will have cleanup language from previous legislation and several changes have been brought up during the year and those changes will be made. He said that the Oklahoma Bankers Association supports the minor changes that will be made. There won't be any major legislation this year for the Department.

Chairman Thompson said that the Department's Budget Director is having additional surgery and will not be back until the end of January or the beginning of February. An Administrative Assistant is being brought in to help work on the budget and legislative issues. She is a CPA and has eight years experience in the budget office and she will be doing some analysis on activities in branching, bank chartering and other items that may be brought up. She officially has not been able to resign because her boss is out of town, so her name will be withheld until she is officially hired.

Member Conn asked if any cleanup bills have been filed by the Community Bankers Association?

Chairman Thompson said that he is not aware of any. Any non-controversial issues that the Community Bankers Association or the OBA offers that the industry agrees on, the Department has always been receptive to include in bills, but if it is an issue the industry does not agree with, they will need to have their own bill.

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

Chairman Thompson stated that a couple of months ago State Bank, N.A. requested four (4) 502(H) applications and have now withdrawn those because they have converted to a thrift. Chairman Thompson said that State Bank, N.A. is a \$480M bank and its holding company had applied for four (4) interim charters that the Board has already approved, and then planned to convert to a state bank which would put about \$86,400 into the Department's budget. A letter was sent out Monday/Tuesday by the Community Bankers Association which made direct reference to Wal-Mart being the owner of State Bank, N.A. A call was received Wednesday and State Bank, N.A. had applied simultaneously with the Office of Thrift Supervision and if they were going to be tied up in this matter, they wanted to withdraw their application and convert to a thrift. State Bank, N.A. contacted the Office of Thrift Supervision and had two branches open the following Monday and more branches are to come. Chairman Thompson said that State Bank, N.A. could have become a state bank which would have brought in \$86,400 to the general revenue and any branches they wished to have would have been brought before the Board for their approval, but now all they need to do as a thrift is notify the Office of Thrift Supervision that they plan to open a branch and it's done without any approvals or involvement from the Department.

Chairman Thompson also informed the Board that another thrift, Commercial Federal Bank, has proposed to open five branches in Baker's stores throughout Oklahoma.

Chairman Thompson stated that in the Oklahoma Bankers Association last edition, State Farm is planning for a savings bank and this issue has raised some concerns. The Office of Thrift Supervision has approved them as a thrift. They will have loans, credit cards, checking/savings accounts etc.

Chairman Thompson said that the six 502(H) applications that have come back to the Board for Motions to Reconsider, which the Board denied, there was never a Stay filed in those Orders and the position of the Department was that the Board had approved the applications, denied rehearings and there was no reason why the Department should not move forward administratively. The bankers were made well aware that if a Court decision is made that their branches are illegal, they can either use those branches as storage or turn them into LPO/DPO's. BancFirst, Oklahoma City, opened their branch November 17; F&M, Crescent, opened November 18; Consolidated Equity, Purcell, opened November 23; First National Bank, Midwest City, opened December 11; Armstrong Bank, Vian, opened December 11; and First Fidelity, Oklahoma City, will be opening soon. All of these have prior approval of the FDIC, OCC or both.

Chairman Thompson stated again that the bankers are very clear that if the Court reaches a decision that 502(H) should not be allowed, then the branches will need to be made into LPO/DPO's or other approved facilities.

Member Huckabay asked what will be the next thing that happens?

Chairman Thompson said the Supreme Court will rule whether or not 502(H) applications should be allowed. The District Court has already ruled that 502(H) applications are acceptable and that 502(H) does not violate 501.1.

Chairman Thompson mentioned that a fax was sent out last Friday to the industry clarifying issues of the history of what has been going on with 502(H) applications and also included a copy of the Order from District Court approving 502(H).

Fifth item on the agenda, Hearing on Protestants' *Motion to Reconsider Order Approving Application of First Poteau Corp., Poteau, Oklahoma, for Interim Charter, and Poteau State Bank, Poteau, Oklahoma, for Merger and Branch by Acquisition* approved at the October 21, 1998, Banking Board Meeting.

Darlene Gill, Court Reporter, took the proceeding in its entirety.

Member Newcomb made the motion to deny the request, motion was seconded and approved. Member Conn abstained.

Sixth item on the agenda, Hearing on Protestants' *Motion to Reconsider Order Approving Application of Sequoyah County Bankshares, Inc., Sallisaw, Oklahoma, for Interim Charter*, approved at the October 21, 1998, Banking Board Meeting.

Darlene Gill, Court Reporter, took the proceeding in its entirety.

Member Conn made the motion to deny the request, motion was seconded and unanimously approved.

Seventh item on the agenda, Consideration of Request for Approval of Merger and Application for Certificate to Maintain and Operate a Branch by Acquisition:

Bruce Crum, Attorney, and John Loewen, Executive Vice President of People First Bank, Hennessey, were present to answer questions.

- A. Merger of First State Bank, Hobart, Oklahoma, with and into People First Bank, Hennessey, Oklahoma.

Bruce Crum said that People First Bank, Hennessey, is proposing to acquire First State Bank, Hobart. First State Bank has a holding company, Lone Wolf Bancshares, and the structure of the acquisition would be that all the outstanding stock will be acquired and immediately the bank will be merged into People First Bank. The office of First State Bank will be the branch of Home State Bank, Hobart. People First Bank has another branch in Hobart that will be consolidated into this office. First State Bank used to be based in Hobart and was relocated in 1995.

Member Parker asked what other banks are in Hobart?

Mr. Loewen said there are branches from Frederick, Lawton and Sayre.

Member Parker asked what is the size of the town?

Mr. Loewen said 5,000.

Member Parker asked if there is much agriculture?

Mr. Loewen said there is some, and a lot of retirees. The economics are good in this area.

Chairman Thompson asked Mr. Crum if he handled the Lone Wolf relocation?

Mr. Crum said he did not.

Chairman Thompson said he is curious about the buying of a bank that relocated from Lone Wolf to Hobart and that a loophole was used to relocate the main office. He asked if he remembered if the Community Bankers Association protested that transaction?

Mr. Crum he said he does not know if they protested. He said that generally that the relocations and branch backs were not protested.

Member Newcomb made the motion to approve the merger, motion was seconded and unanimously approved.

1. Branch Application of People First Bank, Hennessey, Oklahoma.
Branch by Acquisition, Proposed Bank to be acquired and converted to a Branch:
First State Bank, Hobart, Oklahoma.
Proposed Name of Branch Facility: "People First Bank"

Member Huckabay made the motion to approve the branch, motion was seconded and unanimously approved.

Eighth item on the agenda, Request for Conversion from a National Charter to State Chartered Institution:

J.L. Miller, President, and John Walsh, Chairman, were present to answer questions. Roger Brock, Examiner, was also present to answer questions since he prepared the Department Analysis.

A. Bank of Commerce, N.A., Catoosa, Oklahoma

Chairman Thompson said that this bank was a state bank, but had converted to a national charter because they wished to branch without difficulties. Several other state banks were lost to national charters at that time.

Member Parker asked what has been the cause in growth?

Mr. Miller said moving is the main cause of growth. Also a manager has been hired from Nations Bank.

Member Newcomb made the motion to approve the conversion, motion was seconded and unanimously approved.

Ninth item on the agenda, Consideration and Setting of the amount of Bank and Trust Company Annual Assessments as of December 31, 1998, pursuant to Section 211(A)(2). Commissioner Thompson is recommending the Board consider a decrease in Assessments from 19 cents per thousand to 18 cents per thousand.

Chairman Thompson said that in the past five years a 20% reduction has been made in the general revenue fund.

Member Huckabay made the motion approve the reduction to 18 cents per thousand, motion was seconded and unanimously approved.

Paul Foster wanted to emphasize that no banking industry regulator had reduced their assessment fees until this Board began reducing the fees several years ago and since, federal and state regulators have followed.

Tenth item on the agenda, New Business. Member Burgess commended Chairman Thompson and staff of the good job they've done.

Eleventh item on the agenda. Member Huckabay made the motion to adjourn at 10:55 a.m. Motion was seconded and unanimously approved.

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Mick Thompson, Chairman

Brad Burgess

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Chris Conn

Gary Huckabay

—
Jarrett Parker

Bob Newcomb