



Oklahoma Bank and Commerce History Project

a program of the Oklahoma Historical Society

Interview with Steve Baggerly
Bank of the Panhandle
Guymon, OK, 8/18/2011
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Audio taped and transcribed by MJH

MJH: It is Thursday, August 18, 2011, and I am speaking with Steve Baggerly, who is president of the Bank of the Panhandle in Guymon, Oklahoma. So, take it away. First of all, I would like your own entry in the banking business. You said you have been a rancher, retailer, and so forth. Let's start with that.

SB: Okay, Mike, we'll start with that. I don't really have a great banking background or history. I have been in banking about twenty-two years, but my interest in banking started somewhat before that, because my grandmother was actually a shareholder and director in Beaver, Oklahoma. My grandparents were friends with the Tracy family, Fred Tracy. He was a pioneer banker in Beaver, back when there weren't three counties in the Panhandle, there was just one county. It was Beaver Territory, or maybe No Man's Land. I'm not an Oklahoma native by birth or by upbringing. I was raised in the Texas Panhandle, so my Texas history is quite a bit better than my Oklahoma history. But I know that it was one big county, and the Tracy family started a bank there, and they were friends of my grandparents. Ultimately, my grandparents bought some stock, and my grandmother ended up with the stock after a divorce in the sixties, when I was in high school, my grandmother started on the board of directors of a bank there.

MJH: What was that bank?

SB: I think it what later became First Security Bank, in Beaver. That relationship ended in the early eighties. My grandmother was, at that point, about seventy-five or eighty years old, and left that bank board and sold her stock. And I was still in the retailing business.

My family has always been in some sort of retail business. Both my maternal and paternal grandfathers were in the retail business in Beaver, Oklahoma. One was a pharmacist and had a drugstore—the first pharmacist and druggist in Beaver County—and my other grandfather was the International Harvester dealer in Beaver County. And he and my grandmother also had originally been in a farming / ranching operation, before they were in an International dealership. My granddad, that was the International dealer, had an International dealership in Booker, Texas. Beaver, Oklahoma, had a Harvester International dealership in Spearman, Texas, and my grandparents divorced. My father and his brother took over the International dealership, one in Beaver and one in

Spearman. And ultimately, in the drought of the fifties, my dad's brother went back to his profession back in Texas in engineering, and my dad ended up running the stores. They had a partnership for several years until I came back in the late sixties. They closed the Beaver dealership and moved to Spearman. About that time, my grandmother left the bank board a few years later, but my dad talked about it for years, and I visited with my grandmother about it.

So, all the time I was in retail, I was interested in banking, and there wasn't a great difference in the two banks in Guymon. There were two banks here, and a savings and loan, when I was in the retail business. My degree is actually in mechanical engineering. I worked for a short time for Conoco, before I came back to Guymon. There was a chance of being in a farm supply store here. My father and I ended up with three farm supply stores—one in Perryton, Texas, one in Spearman, Texas, and one here. And we moved back here in 1973, actually, my wife and I did.

This particular bank was actually chartered in 1976. We'd lived here about three years, and a group of individuals from Guymon chartered a new bank. At that point, there were only two banks here: there was City National Bank; and First National Bank. City National Bank was the smaller of the two, deemed to be the most conservative. It was the smallest—had quite a few deposits, not many loans, and wasn't really known for making loans. Most businesses and farmers banked at First National. I was originally a First National Bank customer, wanted to build a house out in the country, and couldn't get loans on the terms I wanted from First National Bank, so I went to City National Bank. One of my retail customers was a director there, and had assured me if I'd go there I could borrow money on my terms. And he was right: I did, I was able to borrow money on my terms. And so I moved my banking business and the store's business from First National to City National.

I had a classmate from Texas Tech who had worked for City National. He had a degree in Finance, and he had worked for City National, and he heard that the new charter for Bank of the Panhandle was struggling and was for sale, and we might buy it. He came to see me one day, and he and I convinced our families that we might just do that. We found another family here, from north of town, up by Optima, a long-time farming and ranching family, and they had done business in Hooker, but because they didn't really think that the banking climate in Guymon was suited for them, so they were quite willing to join us. And we actually bought that charter in 1979, after it had been here for three years.

MJH: How many partners were there? How many families?

SB: There are really three families. Three families own about ninety-seven percent of the stock. Our bank does have an employee stock ownership plan, so nearly all the employees own stock through the ESOP. And we have always been willing to sell stock to our employees or directors. So there is a small amount of stock that is owned by people other than those three families.

MJH: And the three families are the Baggerlys...

SB: The Baggerlys, the Etlings from Gruver, and the Long family from Optima. There are two Long families in Guymon, unrelated.

MJH: Is Etling...

SB: E-T-L-I-N-G. Curt Etling is my age, in his late fifties or early sixties. I'm actually a little over 60, Curt's a little less. But his family was a pioneer family in the Texas Panhandle. In fact, the late Carl Etling of Boise City, Oklahoma, was actually names after one of Curt's great uncles. I don't think there's a lake there anymore. There's a dam, but it hasn't rained in two years. The last time I saw the lake, there was just a big dry lake bed.

The Long family has been north of the Guymon area for many, many years. I really think both of the original shareholders in the Long family—Lewis Long and George Long—may have been born on the family farm. I think one of them was born in 1917, maybe one in 1919. So their family has lived here for a long, long time, through the Depression, through the ups and downs of quite a few ag cycle, a really good family, has been very supportive of the bank. Our family, the Baggerly family, owns about sixty-seven percent of the bank; the Etlings and the Longs each own about twelve to fifteen percent. And the rest is owned, as I said, by the employees.

Both City National and First National were good banks. First National was very aggressive through the forties and fifties, had widespread ownership, up and down Main Street. Many, many people in Guymon owned stock in First National Bank. I don't know that there was a majority shareholder, in the sense that someone more than fifty percent. There may have been. The Lackey family from south of Gruver owned a significant percentage of the stock. I'm not sure that they actually owned fifty percent, but they owned a significant percentage. The Wright family had owned quite a bit of stock in that bank as well, but many people up and down Main Street—I had quite a few farm customers when I came to work here in 1990 that owned stock in First National Bank.

That made the bank very popular. A lot of people wanted to bank there because they felt a sense of ownership and a sense of pride. The bank helped many, many businesses get started. Made it very difficult in the eighties, after we bought Bank of the Panhandle in 1979. When I would go call on people as a director, they were so satisfied in the eighties with First National Bank, and felt like so many of them owed their start to First National Bank, that they just absolutely would not leave. They were intensely loyal. I remember calling on one ag customer, who ultimately did come bank here with us, said he had banked there since he was a young man. He started farming at an early age, when he was in high school, and had banked there forever, and told me he would probably never leave. But "never" is a long time, in anything. Things change and people change.

City National Bank, on the other hand, was owned by the Gear family. George Gear. George was a banker who, I believe, may have survived the Depression. There was a banker in Spearman, Texas—that's a town that's about forty-five miles from here—and a man named Clay Gibner also survived the Depression. I think Clay and George may have actually worked together at some bank, in a different town, together, a back in the

twenties, before the crash. And they had lots of stories to tell about banking, in general, through the crash. But because they had both survived that—that's a bank that's extremely well run, a conservative bank—those gentlemen were not going to do something that would cause them to have to close or lose their deposited money or have any kind of problem that would be bad.

MJH: Could you spell Gear?

SB: G-E-A-R. George, I believe, only had one child. She married into the Docking family in Kansas. I believe her husband was, maybe, the governor, or one of her sons was governor. They also owned a bank in Ark City, Kansas. Today, those banks are combined in one holding company. City National Bank is still here. It's still controlled by the Docking family. There is a little bit of other ownership. The ___ Atkins family, and that stock, has now passed to Joe Mayer, I believe, who is a son-in-law of Red Atkins and of the Hitch family. That stock has passed to ___'s grandson, ___ is also deceased and now to his son, Chris, and Jason Hitch. And Robert Lee and his dad, Bob Lee, were also shareholders.

I think the Gear family may have owned about eighty or eighty-five percent of that bank. Those other three families own the remaining fifteen. And I don't know how that's changed since the combination of the Ark City bank. The guys that own City National run an extremely well run bank.

Their president actually came here in 1980 and worked for us, and worked for us about seven years. And then City National hired him, and he went to work at City National. His name is Jim Webster. Jim has been in banking all of his life. He was first in Sapulpa, then, I think, in Tecumseh or Shawnee, and then here.

MJH: Jim has already told me one thing that is not right.

SB: What?

MJH: That you didn't have much to tell me.

Laughter...

SB: Well, Jim would have a lot more to tell you. Jim is truly a lifelong banker. I am definitely a person who has done several different things. So my banking experience would be much less than Mr. Webster's. And Jim and I like each other; we get along good. We enjoy competing against each other, I think. I enjoy competing against him. But Jim does have a lot of banking experience, and has done a good job with City [National]. He has run that bank now for twenty-four years, I believe, would be about right. I think he left here in '87. He worked for us about seven years.

MJH: When was he here?

SB: I think he started in February of 1980 and worked until sometime in 1987. As far as I know, City National has maybe only had two—they've had three presidents: George Gear, Durant McGinnis, and Jim Webster. If that's not what Jim told you...

MJH: Well, I'll see him a little later today.

SB: Okay! Good! You can see if any of my stories line up!

MJH: I'll get some corroboration.

SB: Sure, if you can. I think Jim would be the second longest president of City National.

MJH: The other one after George Gear was...

SB: Durant McGinnis. M-C-G-I-N-N-I-S. There may be someone else. But Jim will certainly be able to tell you. But those were the three I remember. I knew George, I knew Durant, and of course I know Jim.

First National in Guymon ultimately suffered a succession crisis. It was run by a man named Julian Schuab for many years. I knew Julian, went to church with him. He and his wife were both lifelong Presbyterians, and so I certainly knew Julian, and Julian did a good job. But there was never a clear succession plan, and when it was time for Julian to retire, there was enough jockeying for position that... For whatever reason, the bank ended up bringing in an outside person who was not really able to resolve the succession crisis, and the bank ultimately sold to a bank out of Hennessey. It later became the Gold Bank. It was the forerunner to the Gold Bank entity in Oklahoma. And ultimately, the Gold Bank sold that branch to City National. City National ended up buying the building and the deposits.

MJH: So there are two banks here?

SB: No, there's three. First National of Texhoma is in Texhoma. And I suggested that you talk to Paul Freeman. The Freeman family has been in banking certainly longer than I have. I would definitely be the newcomer in town. They started in Texhoma; they put a branch in Goodwell. Goodwell, Oklahoma, originally had a bank, and Paul could tell you, I'm sure, the history of the bank in Goodwell. I think it may have closed in the Depression. And Goodwell is a very small town, but it does have a college in it, which makes it somewhat desirable for a small branch, and they do have a branch in Goodwell. Then, probably sometime after 2000—I think the First National Bank of Texhoma branch in Guymon has probably been here, maybe, seven years. It came in 2004 or 2005. They had a little production office, and then a bank. Certainly, Paul will be able to tell you about that.

Frontier Savings and Loan had a branch here in the, probably, the fifties, sixties, seventies. When the first banking crisis occurred in the late eighties, Frontier Federal's branch here didn't survive. I think, actually, the parent company may have also not survived. And I don't remember if MidFirst actually bought the failed branch or if they just started it. MidFirst, of course, I'm sure you're familiar with—it would be hard not to

be—I think they're the largest sub S corporation in the state of Oklahoma. They're obviously very successful as well, and they have had that branch here since sometime in the eighties, I think, whenever Frontier Federal went away. MidFirst Bank...So we actually have those four bank charters.

MJH: I've gotten to know George Records pretty well. I did a project with him. Great guy.

SB: And George could obviously tell you a lot about banking in Oklahoma. George has been out there a long, long time.

MJH: Actually, he hired me a couple of years ago to write a book on his bank.

SB: Oh really?

MJH: Actually, that's not true. He hired me to write a book, and I thought it was to be all about his bank. He gave me all these documents going back to the Revolutionary War period—some ancestors of his, beginning with her family, from Ireland...So I'm sitting there, getting all of this...And then, eventually, their ancestors moved into Oklahoma. There was a pioneer banker in her background—her granddad. He did the Run down around Shawnee, and so forth. And so I just had more fun with that! So really, the last part of the book, the last two chapters, I finally get around to Oklahoma banking, but the rest of it...

SB: About the family?

MJH: ...Indian fighting, and Irish immigrants, and really rich stuff!

SB: Well, they have been very successful in banking in Oklahoma. They have done a really good job.

MJH: So, tell me about this bank in particular. What made you think there was an opportunity to open a new bank with the stiff competition that was here, and what has made it successful?

SB: Our families weren't the ones involved in that. But the new charter was started by J.R. Adams, who was in the highway contracting business. That business is still here. J.R. is not with us anymore, but the business is still here—highway contractors. Jack Wing, who owns an auto parts store here—actually, there's one here, and one in Seiling, and one in Dumas. Jack grew up, lived through the Depression. Like most people in the Oklahoma Panhandle in the Depression, he was fairly poor, didn't have any big head start, and became an extremely successful businessman. He had those three stores. He actually grew up across the street from my father in Beaver, Oklahoma. I knew Jack from the time I was old enough to work in the family business in Spearman. Jack called on us, sold auto parts for Woolwines, which was a big auto parts distributor in Oklahoma.

MJH: How do you spell that?

SB: W-O-O-L-W-I-N-E-S. One word. And, a man from Boise City named Billy Ray Goudy, who eventually became an undersecretary for agriculture under Jimmy Carter, I believe.

MJH: No kidding?

SB: Yeah, Billy Ray Goudy. Those three people—I think Billy, Jack, and J.R. may have owned over fifty percent of the bank. The other directors had the rest. But Billy Ray was sure the third largest shareholder. They filed for, and received, the original charter in '76, October 1976. And I don't know that they, determined that Guymon needed another bank as much as they thought they could start a bank, and get it going and sell it and make money. All three of them were quite the entrepreneurs. And I'm sure the thought of getting a bank charter and starting a bank, and building it up and selling it for money, was probably the overriding factor. I'm not sure that they did the market study that you'd do today to get approval. Getting a bank charter today is a lot more difficult than it was back then.

J.R. had a lot of connections down state. J.R. and Leo Winters, the state treasurer, were extremely good friends. Leo Winters had grown up in Hooker, Oklahoma. There is a bank in Hooker as well, which is twenty miles up the road, owned by the Berry family. If you haven't talked to Charlie, you really should go and talk to Charlie, if you can.

MJH: I'm going tomorrow.

SB: Okay. Well, Charlie's family has been in banking a long time, and he can talk a lot about banking. I didn't really think about it: he's probably got the longest continuous history in banking...Charlie should be able to give you a lot of insight as well. I'm sure he has lots of stories from his parents in Jefferson. I think George [Gear?] had that bank—while there were many different names, I think they were largely related, somehow, by marriage, or something. I know Charlie has bought up a lot of that stock, so Charlie will be able to give you quite a bit of information.

I think they really asked for and applied for the charter as much to make money as they did because they perceived a need. When Curt and I became interested in trying to buy the charter, we thought—Guymon was growing, at that point, Swift and Company was still here, they had the big processing plant, they hadn't closed. Guymon was growing. It was pretty exciting. The retail businesses were good. It's a long way to another town from here. I'm sure you noticed that when you drove out. I had explored the possibility—tried to actually buy a—made two attempts—one was to put a store in Dalhart, and one in Dumas. Neither one of those panned out, and they were really kind of at the end of the distance that I wanted to try to manage a fourth store, probably. There's not a lot to be said for driving back and forth all day long, to go to those things, and I wasn't sure I could do it—I think it was before the days of computers, video conferencing, and WebEx, and all that sort of thing. We were looking for some alternate investment, really, and I think Curt had quite a bit of liquidity as well, and then we all wanted to do something different. And we really thought there was mostly one bank, which was First National, because so City [National] was so conservative. They weren't really going to

loan money for startups and that sort of thing. We perceived that there was a market here, so we approached and Jack and J.R., and they were glad to sell.

And we bought it. Certainly, we didn't know what we were doing. We overpaid, and we really underestimated the loyalty that people had to First National. There were two banks: First National of Guymon and City National of Guymon. It was very difficult to grow, to get deposits or loans. I think, shortly after we bought it, our asset value was \$8 million, maybe; maybe 10, and I think by the time Mr. Webster left here, maybe that had grown to \$12 million. It wasn't much more than that. [We] could not really attract very many customers. We really had some trouble attracting employees and keeping them. Obviously, somebody like City National could pay more than we could pay. So it was fairly easy for them to attract away somebody like Jim. They were probably four times our size, or five times our size. I don't really remember the respective numbers.

Finally, in the mod-eighties, I decided that we might not ever find anybody that would put their heart and soul into this. You can find good people. But, if it's a good bank, and they do very well, somebody's going to hire them. We learned that with Jim. And we had set up ESOPs in our retail business, so the employees could buy it.

Originally, we envisioned the longer process, that they would buy it if I wanted to retire. I didn't really want to retire, but decided the timing, in the mid-eighties, to make that process go a little faster. In '89, the employees bought those stores—they still own them, they're still here, and in Spearman. The one in Perryton went to man who had cancer, and he died. At any rate, the ESOPs bought our stock, and I came to work here.

I looked up the size, for our Christmas party, because I had been here about twenty years, and I think when I came to work here, we were about a \$17 or \$18 million bank. And we had \$6 or \$8 million in loans. We really didn't have many loans. That happened to coincide with the succession crisis at First National.

MJH: I wanted to ask you about when that was.

SB: Those all happened about '89 or '90. And it worked out good for us. We had a pretty big clientele in the retail business. And ultimately, a huge number of those customers came here and banked with us, and left First National. We didn't really get that many from City [National]; we did pick up a few, when I came here, from City [National]. But almost all of my customers that I had at B & B Sales, that were at First National, ultimately came here.

MJH: What was the name of your farm retail company?

SB: B & B Sales. Still out on the highway.

MJH: Okay, so you have been out of that since...

SB: '89. Probably, we owe whatever good fortune we've had to that initial bunch of people that followed me from—the loyalty that those people had followed me from B & B to here. We grew really fast. We grew about twenty-five percent for about three or four years.

MJH: People really had to make a transition from the retail to the banking business. No, no—you're talking about the customers.

SB: I'm talking about the customers. The customer base. We drew a huge amount in three years. This building was much smaller. We outgrew it, built this addition in '96. We grew from \$16 or \$17 million to \$50 million in a couple of years—three years, maybe four years. And once we finally got some size, it was easier to hire a different group of people. We also started making money consistently, year after year after year. And I really—I tried to thank all those people that were so loyal, to come up here and bank with me after that. Once we got started and our reputation came, a lot of those people are highly respected, and when their friends started banking here, they came. You know, I just really can't say enough about the thirty or forty or fifty people that were willing to move their banking business here quickly in the early nineties. And I don't know if they would have, particularly, if First National hadn't have had a management crisis. But they went in down there, and they couldn't tell what was happening. People were more interested in trying to out-manuever their fellow employees than they were in waiting on their customers. And I asked, and they came up with a price.

Pretty fortunate deal for us, really, but that's really—what led up to us getting our size and ability to do things up with the level of our peers. Today, I think—we're not all the same size, but we're much closer. At the time, both of those banks were probably three times our size. I think, at the end of the June quarter, we were about \$132 million; Texhoma [National Bank]'s probably \$152 million, but they can do that with three branches, where we just have one; City National is probably \$160 or \$170 [million], so they're still bigger than we are. And Jim can tell you his number. I don't really remember, and I could look, and you could find it. But it's somewhere up in that—the three times deal is not there. And City [National]s that big because they bought Gold Bank deposits. If you would take out the deposits they bought from Gold Bank, or just look at their deposits in this branch up here, we'd probably be bigger. But, that doesn't bother me. We're all about the same size.

MJH: This might be related questions: I wanted to ask you about the whole bank crisis of the eighties, and where your bank was in relation to that; and maybe, as part of that, what has been your main economic engine around here? What drives this institution?

SB: Let's start with the crisis of the late eighties and early nineties. That was certainly traumatic. I got here just in time to live through that, and it was pretty ugly. And I think, probably, I would say it affected First National the most, probably us second most, and City [National] the least, because again, City [National] didn't have very many loans, and their customers were gold plated. So they didn't really have any problems.

First National didn't really have that many bad customers. But the crisis in the late eighties and early nineties changed the face of banking, and it changed banking—it changed the

relationship between the customer and the banker. The days of going in and getting an unsecured loan because, you know, “I know Michael Hightower, he’s a good guy, he’s always paid, so he wants \$10,000, sure no problem.” Michael wasn’t any different in ’91 than he was in ’89, the bank wasn’t really different, but the regulators were not going to have that type of relationship anymore. They were going to demand information. The effect of that on a bank’s life—First National had thrived on relationship deals. People banked there because they owned stock; they knew their customers; they loaned to their customers. When they had a management succession crisis, and they brought in an outside person, and tried to change not only the culture of the bank, but make the culture of the bank line up with expectations of the regulators, it was a recipe for disaster. Whether anybody would have been skillful enough to do that, in my mind, is questionable. I think I know my customers well enough, I could have done it differently, but I don’t know that. When they began to ask people for financial statements who had never provided one, on paper, it caused a lot of hostility. And those same customers were willing to do that for me, because I hadn’t been in banking. But they wouldn’t do it down there.

And so the crisis, while it didn’t cause them to—they didn’t have thousands of bad loans—but they had to get over that hurdle. And they had to get over it with me, now, in the mix, and it was very difficult for them. Still survivable, but basically, because of their management—if they had had a good strong team, and everybody would have known what their job was, that outcome would have been different. But they had no clear structure to decide who was going to succeed Julian.

MJH: And Julian was...

SB: Julian Schwab, the president. S-C-H...Not like Charles Schwab...U-A-B, I think.

Anyhow, that was the effect of the crisis on the three banks. City [National] really, I don’t think, had—nothing really changed much for them. They picked up a few Gold Bank customers—well, First National customers, for the same reason. The people would give the information to them, and they knew to ask, at that point, because that was the expectation of the regulators. But it definitely changed the face of banking. I think, if I remember the numbers right, First National Bank went from \$32 million in loans to \$6 million in loans in about nine months.

MJH: Was that in ’89, ’90?

SB: Yeah, ’91. Because I came in ’89, and that probably happened in ’91. It was in the...The slight recession that we had, which really had nothing to do with it. It had to do with Julian’s departure. And Julian worked there until he was in his late seventies or early eighties, probably. It was just, simply, a succession crisis, at the end of the day. There were other things that developed, but simply, that was it.

MJH: That certainly tells you something about the importance of, who’s at the helm of an institution.

SB: Yeah. We picked up a lot of those loans. Some went to City National, some went to Liberal. Some might have gone to Borger or Texhoma. But that was a huge shift in the customer base.

MJH: Was there much participation up here in the big energy...

SB: There was, but we don't have a lot of energy that's up here. Those things affected us, but only in a peripheral sense. If we had deposits in a bank in Oklahoma City or something that closed, obviously, that was traumatic.

MJH: Penn Square, for example...

SB: We didn't have any relationship with any of those banks. We didn't have any participation, bought or sold. Obviously, you would have some people here who were dependent on mineral income, so when the oil price went down, they suffered. You had some effect, certainly. But at that point in Guymon's economy, the big shocks had already happened. Swift and Company had closed their plant here in the late eighties. And we had dealt with that. The recession of '89, '90, '91 probably affected us some, but mostly it was the aftershocks of the Swift and Company deal.

MJH: What was that about?

SB: It was really about the union, as much as anything. The plant here was small. They had built a big plant in Dumas. The plant was older; it was hard to mechanize it, and they probably might have not closed it if they could have gotten other union contracts.

MJH: Was it a slaughterhouse?

SB: Yeah, a slaughterhouse. And it was pretty much old style. It wasn't anything new, like the thing in Dumas, Texas is today. The remains of that plant sat empty from '86, probably, until '93, when Seaboard came. Seaboard is a hog processor. They process 19,000 hogs a day out of that plant. Today, they built a lot of barns. In recent years, the farming practices have changed some. The farming has consolidated. There are fewer farmers than there were in the late eighties. The ag economy, especially considering the hogs, is hugely significant. We're the number six to ten county in the United States in ag production, and to say that our county is not based on agriculture, would be foolish.

MJH: Really? This county? Texas County?

SB: Yeah, it's way up on the list, in the top ten.

MJH: Really? I didn't know that. And that's really driven largely by the hog industry?

SB: Hogs, corn... Too, there are several big feed lots here. The Hitches have one, they used to have two. They used to have a third one in Kansas, but now they have two here. There was the Texas County Feedlot, and that sold, and has been used for some other stuff. It sold again recently. There's B.R.I., there's... There's—I'm leaving out some. There are several.

The Hitches alone are probably feeding—they have the capability to feed a 100,000 head of cattle. And I don't know what B.R.I would have.

MJH: Does the Hitch family bank at City National?

SB: Well, I know where all they bank. I probably don't want to say it in an interview.

MJH: Sorry!

SB: They are a shareholder at City National. Jason Hitch is actually a director here. He's one of our directors here.

MJH: What generation would he be?

SB: Well...Fifth? James K. Hitch came out. His son is Ladd, or Henry Hitch. His name was Ladd Hitch, and his son is Paul Hitch, and Jason is...So that's five.

MJH: Okay.

SB: Fifth generation.

MJH: I've got to get a handle on that. That's got to be really interesting.

SB: It is. And they've been involved in banking since the early part of the twentieth century. One of them could tell you. Both of them work, up on the north end of town, at the Hitch Enterprise office.

MJH: I might...This is a little aside; I don't mean to interrupt you. A couple of months ago, we decided to pull commercial enterprises into this project. Now I really am putting together a list of people to talk to and big industries...

SB: Well, you can't have the history of Texas County, or really Oklahoma, without the Hitch family in it. So you need to talk to Jason or Chris, whichever one you can corner. I know Jason; I know them both. I know Jason the best. He is one of our directors, and I have known Jason a long time.

MJH: I might put that off until I make another trip up this way.

SB: His father and I—we played guitars together.

MJH: Are you a guitar player?

SB: Yeah. But we would go to each other's house and play guitars. We both...We have really digressed from banking. Even though we were competitors in the banking world, we did have that in common, and we certainly enjoyed that. And Hitch's CFO was actually married to our CFO. Both husband and wife were CPAs, and both were CFOs, one here

and one there. Randy has retired from Hitch, and Sheena (SP?) has retired from here. They both live in Georgia. They both still serve on our respective boards and participate by electronic means. Neither one works full time. So the two entities have some things in common, even though they definitely are still a shareholder at City National.

MJH: Talking about the Hitches is not really a digression.

SB: Well, you can't really talk about any business in this part of the country without talking about them. They have been great supporters over the years, from education to charitable events. They have been a great family to have. And they are extremely loyal to this county. They could move their stuff somewhere else. They don't have to live here to do this. They choose to do that, be part of the community. We're fortunate in that respect.

Did I answer your other two questions?

MJH: The energy question, certainly. And then you sort of morphed into the one, because I was wondering about the main economic drivers—what your lending base is, and that kind of thing.

SB: All three banks have a different lending base, to some extent. Our lending base—we have a lot of retail customers, that probably came here originally because they knew I knew a lot about retail, and had been reasonably successful at it, and they wanted to be where they could talk to me about it. We have, probably, twenty-five or thirty percent of our loans in ag real estate or ag based. We have a lot of commercial real estate that isn't in Guymon. There's some in the Texas Panhandle, some that's up in Kansas. We have some different investors that have been loyal to us and successful, and we have done projects with them wherever they wanted to do them.

MJH: That hasn't prompted you to want to open a branch down in the Texas Panhandle or in Kansas?

SB: It has. We've looked at quite a few places. They all seem over banked to me. All I could determine was, I was going to reduce the return on my shareholders' equity if I went somewhere else. We actually tried pretty hard, a couple of years ago, to buy—we tried somewhat, to buy one branch; we tried to do a merger; and we tried to buy another branch, over the last three years, and all three of those deals didn't pan out for us. I may be too difficult, apparently...I want what I want too badly, and don't want to compromise.

I do serve on the board of another bank, am actually a shareholder at another bank, in the Texas Panhandle. It was a *de novo* charter, in the mid-eighties, and has had the same ownership forever. They really don't have any interest in being in Oklahoma, and we have different business models. We're just two different banks.

MJH: So you have a lot of retail, commercial real estate, agriculture...Then the other two banks have different bases, you say?

SB: First National of Texhoma has a huge agricultural base. Their family was in cattle and some farming, but they are a big cattle family. Paul will tell you, they have lots of

agricultural, and I think he will tell you, they have a lot of cattle loans. It's public knowledge. You can look on their UPVR (?) and see. Not so much commercial real estate. Everybody has some of something.

City National has a bunch of residential and, to some extent, commercial real estate, but they have a lot of—they have even more real estate loans than we do. And a lot of our real estate loans are big commercial; I think some of theirs are smaller.

First National of Texhoma has the biggest percentage of loans to deposits. City National has the least, and we're kind of in the middle. But, everybody has kind of found their niche, and does that thing.

MJH: What would you say, bringing it up to current and then looking ahead, what are some of the biggest challenges and opportunities? I know there's a lot of discussion and angst over new regulations coming out, and so forth. Where does that hit this part of the country?

SB: Well, the regulations have to be a big concern of all the small banks. There are all these articles by people who do studies; they publish articles that make statements that really aren't—they're probably not only not verifiable, but they're really not applicable to all parts of the spectrum. So when you read an article that says, "Data indicates that banks that are less than \$10 billion won't survive in ten years," the basic precepts of that are of concern to me. I don't take that as a hardened, true fact. When I first started banking, I thought, "If we can get to \$50 million, we will be viable." When we got to fifty, I thought we needed to be \$100 million to be viable. Now, I think the number is \$250 million. So certainly, all of us think growth is something we have to do, to be able to have enough income, to be able to live with all the compliance. The new regs have certainly changed the way small banks look at what they might want to be able to do. I don't think any bank in Guymon has added or dropped product because of new regs, but I know small banks in the communities around us—I know of two banks that, I believe, will not do a home loan now, because of the new regs. And we have seen some of the local mortgage brokers get out of that business because of the new regs. If the regs become onerous enough, certainly, you'll want to look at some of the things you're doing, and how hard it is to comply, and the risks of being out of compliance. You may not want to be in those market sectors.

And I don't think near all the rules have been written. The banking bill didn't get near as much press as the health care bill. I believe they're within a couple of hundred pages of the same length. I think one of them is two hundred pages longer than the other. Both of them are in the 2,000 to 2,500 page range. They tell us that the 2,500 pages of the banking law will spawn about a half million pages of regs.

So obviously, all of those haven't been written yet, and everybody is jockeying for positions, trying to influence how those regs are written. We know we can't undo that law. We would like to do some things to change how those laws are written into procedures and practices. I'm not sure how possible that will be, but that's what we would all like to do. The temptation is to say, we won't apply this to banks under \$10 billion, but my experience has been, over twenty

years, ultimately, all those laws filter down to the small banks. They're not going to regulate a big bank one way and a small bank another way. At the end of the day, they're not.

MJH: Roger Beverage was enthusiastic about—who's the woman who was going to be the head of the Consumer Protection Bureau?

SB: He wasn't enthusiastic about her! He was enthusiastic that she didn't—Elizabeth Warren is who you're talking about, and he was happy to see that she has gone away.

MJH: I think he was putting kind of a positive face on it, because she's an Oklahoman from way back, and she's call...

SB: Well, I couldn't put a positive face on it. I'm glad he could. But she's out. She's gone away.

MJH: That's what I understand. And I don't know if the new guy who's coming in...

SB: I don't know if he'll be better or worse! There's going to be a professional bureaucrat who knows, really, almost nothing about how the real world works, I am sure.

MJH: Do you find that sort of common in your business?

SB: I do! I find it somewhat common in my business, yes. And I would hate their job. If you have a huge number of deposits tied up in giant institutions, you've got to write some rules that let you effectively deal with that, whatever that means. If you've got eighty percent of the deposits in giant banks, how do you write a set of rules that works to let you regulate, monitor, control—whatever words you want to use, for that size of banks—and still have some meaningful way to monitor, regulate, and control a \$50 million bank.

I really suspect that you don't want to let the small banks go away. But you may not be able to stop that. I cannot tell myself that Wal-Mart has been good for America. Our 401-K plan is with Wal-Mart shareholders. If you turn your stock management over to a professional money manager, they're going to pick it. When you hear them described as the distribution arm for the People's Republic of China, there's a certain amount of truth in that.

The thing I dislike about change is—and I've watched it, I've seen it, I've served on community boards—they will not support local charities, events, all the things that need to be done locally, to the extent that the mom-and-pop businesses did.

MJH: And along those lines, would you characterize yourself as a community banker?

SB: Certainly, and our support for those types of projects is, sometimes, it's amazing how much we do, and unlike Wal-Mart, we don't show up to... Wal-Mart won't give a thousand dollars to Circle of Friends, or any other entity, without their picture being taken. They're going to have their picture in the paper. We hardly ever have ours in the paper. Maybe that's bad PR. I don't do it to get my picture in the paper. I do it because it's the right thing to do. And I think that the favorite saying of Bill Pippen—he's the chairman of the board

and the president of the First National Bank of Spearman—when we talk about that stuff, if we're meeting down there, Bill will say, if we're going to do this "It's the right thing to do." He means, he doesn't care if it's economically good, he doesn't care if it's politically correct—he doesn't really care. And he uses that phrase often. And I think that a lot of community bankers do. "It's the right thing to do." If we're making money out of this community, we're going to put it back.

And I think that all of the banks in this area—not just Guymon, but Spearman, or Gruver, or Hooker—I think we all know that we're making money out of these communities, and I think, because ownership, with the possible exception of City [National], is centered in these communities. All of Texhoma's ownership lives within fifty miles of where you and I are sitting. Same thing is true of our bank; same thing is true of Spearman's bank. And some of City National's [ownership] lives here, certainly. And the Docking family just lives in Kansas. It's not far away. But in the other cases, if some entity needs help on some project, they can go find an owner at one of these banks, to sit in front of them. Maybe an office of the bank, but it would be an owner.

I think we feel more obligated—I was sitting in a loan committee meeting yesterday for the First National Bank of Spearman, and we were looking at a project in Dumas, for one of their customers, and the First National of Spearman wants to do it, because they know that an out-of-town place isn't going to do this economic development project, and they think it needs to be done. And so they are trying really hard. I think a big bank—well, there's a Bank of America branch there, I believe, but they're not trying to do things like this. I'd better check on which big bank it is. It's either Bank of America, or NationsBank. But it's one of the mega banks is in Dumas, but I forgot which one it is.

There's one in Dalhart, but I think they're closing. I don't remember. I think it's B of A. But it's closing. I don't have a Texas directory in here, or I'd tell you. But a lot of those big banks bought banks in Amarillo that had branches. I'm sure that's how both those branches in Dumas and Dalhart ended up there, is by virtue of purchase.

MJH: Amarillo's not more than, what, a hundred miles from here?

SB: A hundred and twenty.

MJH: Do you have any other thoughts? Is it still a fun business to be in?

SB: Yeah. I think it is. I enjoy coming to work and everything. It's great. I have no plans to quit. You say that, when you're over sixty, and your health can dictate that suddenly, I suppose, but hopefully I can do this for quite a few more years. I'd like to do this up into my seventies, if I am mentally able!

MJH: Well, good deal. That's good with me. If you have any other closing...

SB: I'm good! That's my hour...

End