Oklahoma Bank and

Commerce History Project

a program of the Oklahoma Historical Society

Interview with G. P. Johnson Hightower
Stillwater National Bank
Oklahoma City, OK, 10/17 and 10/22 2013
Interviewer: Michael J. Hightower
Audio taped and transcribed by MJH

MJH: It is Thursday, October 17, 2013, and I am in the offices of Stillwater National Bank at the Waterford in Oklahoma City, and I am visiting with G. P. Johnson Hightower, who is a senior vice president and senior trust office here at the bank. So, with that in the way of introduction, I would like for you to begin to tell your story, wherever you choose to start. Like I say, tell me something about your career in banking, and some of the milestones, experiences, and personalities that you would like to share.

GPJH: I started in this business on March 27, 1978, when I was hired at First National [Bank and Trust Company of Oklahoma City]. Back in those days, we had a management training program that was cool. I don't remember how long it lasted—six months, a year, whatever it was. Typically, if people were on the path of going to the credit side of the bank, they wound up being credit analysts. So I spent a few weeks, or months—maybe four months, something like that—between one-half day and two weeks on assignment to every department in that bank. The worst thing that I think ever happened to banks is that we quit doing stuff like that. It's a huge disservice to the people we hire that they don't get a cross section of everything. For example, in our office here, we don't have any operations. That's all at up at a shopping center in Stillwater. At the First National Bank [and Trust Company of Oklahoma City]—and we were a unit bank back then, a unit banking state—there weren't any branches. We didn't begin branching until, I think, 1984—I may be wrong. We even had a lease picked out at Waterford, which was only about a year or two old at that point, and…

Well, anyway, the bank failed before we could ever get a branch!

Laughter…

So, anyway, the guys who went into that program, and they might have wound up in the trust department, they may have gone into the bond department—I wound up in the lending area. But I spent at least four months roaming every department, and I spent that first day in the sub-basement, in the cash vault, with the manager of the cash vault, and I said, "Jackie"—and she was about 350 pounds, black, and she was absolutely one of the nicest people to work in that company—I said, "So what's going on?" And she said, "Well, the Oklahoma Turnpike Authority has just come in with their cash." And that was when every dad-gum quarter that went in somebody's mitt, way back before pike passes! So that was a big account, obviously, a huge account. In fact, banks these days, like our bank, are not at all positioned to have large cash deposits. I mean, there were huge machines that counted cash and spit out numbers, and they'd grind through quarters, dimes, nickels, and whatever they had. Obviously, every day, that cash came rolling in. Grocery stores, all that stuff, way before debit cards. There wasn't any plastic except Master Card. Anyway, that was cool.

So I did that. Then I spent a couple of weeks in the trust department, a couple of weeks in the bond department, public finance, and everything else. I stood with the tellers in the big lobby, and I don't know what all—paying and receiving, which is all part of the teller cash transaction part. I mean, you got to do everything. And by doing that, you met everybody. And people who were hired in a particular position except the people in their department. So, I thought this was pretty cool. I was in there with Jimmy Kite—he preceded me in that same deal—Bruce Williams…I'm just thinking of people I know, and other people would know. Vic Kearny (?) and I started about the same time. Vic was a defensive end, played at OU. He was from Milwaukee, and we remained great friends. Vic had a reputation of biting the bottle cap off a beer bottle, and then he's drink the thing. But I think he quit doing that!

Anyway, you kind of fast forward. Through all those years, we were by far, and had been for decades, the strongest bank in Oklahoma. By the time the bank started to shrink at the end of 1983, we hit, I think, about $3.1 billion, and things were pretty rosy, all except for what started happening in 1982. In fact, I remember, we used to have a little Christmas party, and big Pete Hoffman, in the metropolitan lending division—big Pete Hoffman would bring the cucumber sandwiches, because Alice made them, and then Randy Royce would go off and get fried chicken at the Sleepy Hollow. And we had a big ole feast. But this was the one at the end…in December 1985, and we all knew it was going to be bad, because it had been bad. And I remember one of our vice presidents—he was a great guy by the name of Gary Embry—leaned back and said (bear in mind that this was December 1985), "Well, here's to 1987!" That was fairly symbolic, because we flat jumped over 1986, and we know what happened then, because Citizens Bank went down, I think, in April; the First National [Bank and Trust Company of Oklahoma City] failed on July 19…That was a black Friday. It was even a Friday. Hell, I don't even remember.

I remember Pete Everest called me on the phone to say he was sorry. I was watching the news with a tear in my eye. I was the only one at home.

But it didn't have to happen. It was—and without getting into names, but when management thumbs their nose at the regulators for about four decades, somebody's going to get back at somebody.

MJH: How do you spell Embry?

GPJH: I think it's E-M-B-R-Y. I don't know where the heck Gary is now. He was a good guy. Everybody charged off somewhere else at some point, although a lot of the guys stayed put. I had left, not really on purpose, in March or April, I think April, of 1986, because I was recruited by Jerry Marshall, who was board chairman of Bank of Oklahoma, Oklahoma City. Jerry is a great mentor and a wonderful, wonderful person, who has been—well, you probably know all this—he had been president and CEO of all three of the major banks in Oklahoma City, plus the one in Houston, which I forget—you just need to ask Jerry. But he spent 7 years in Houston, I think around River Oaks, and then came back when he was recruited to come, I believe, to Bank of Oklahoma.

A lot of things changed. So, he recruited me. We knew it was down to the end. We didn't know when. But he recruited me, and Randy Royce, in the prior October of 1985, and Marilyn Lee (?)…And October 1985 was when Houston Huffman had finally had enough. He left the First National [Bank and Trust Company of Oklahoma City] and went off with an oil and gas company. And of course, he has been there ever since.

MJH: You left First National [Bank and Trust Company of Oklahoma City] in…What was your last month there?

GPJH: April 1986. So that's about three months before the failure. But we saw a lot of overcoats running up and down. In fact, there in that last 12 to 18 months, when things were just doom and gloom, and we weren't getting any good news week-by-week, one of the old jokes was that, well, they're going to set up some lockers in the sub basement, so that when we show up at work in blue blazers and grey slacks, we need to go down there and hang them up put on put on a blue suit and come up to work!

Laughter…

And then, before we'd go home, we'd go back and hang up our suits and put our blazers back on, with a more casual tie and grey slacks, and get out of there!

MJH: So, everybody knew that the end was coming, but there was still a sense of humor about it—kind of a graveyard sense of humor.

GPJH: It kind of was. But it was still really hard to believe. I mean, we knew it was doomsday, and there were huge write downs. The holding company had made some very large out-of-market loans—funny things: real estate; yachts. They were really out of control of the bank, and they were out and beyond the bank's loan committee. We didn't have any control of that. All that stuff had to be examined, and I am sure that was a large part of it. There were people much closer to that situation than me that would know a lot more details.

You need to talk to Mike Woody. Mike Woody and Chuck Nelson. You could probably talk more to Jerry.

Anyway, we had reloaded on senior management. We brought Bill Dick in the early from Memphis. We had several very good people that we recruited from Memphis. We started having trouble. I think some of the board didn't like Bill. I'm just guessing at that. So he was out…We had a chief lending officer by the name of Dan Zapton. I'm still a big

Chicago Bears fan. I don't know if anybody would remember that big defender by the name of Dan Hampton, whose nickname was "Danable." So I kind of nicknamed him. I don't think Dan Zapton ever knew it, but I called him "Danable."

But, everything was tightening up. We figured the new influx of people we didn't really know, they didn't know us, we didn't know if they really cared about us.

MJH: These folks were coming in before the failure in July 1986.

GPJH: Yes. This is probably 1984 to early 1986 stuff. So we had that guy. And that was about the time the board, in an act of desperation—we had already undergone a capital call—brought in the great and renowned, in his own mind, James B. Cairns. I believe that's right: Jim Cairns. Anyway, all we saw of Jim Cairns was walking up and down the hallway in a rain jacket. It was winter. I hardly ever met the guy, but the word he got out after meeting some of us, after sitting in a lending committee—the word got out that he considered us a group of C+ bankers. So you think that didn't piss us all off!

Laughter…

Okay, so we got those suits on. Well, obviously, people were ready to fly the coup, particularly when somebody else was knocking at the door, offering a little bit of a rosier scenario. Anyway, I wasn't really close to all that stuff. I don't even remember what the Hell was going on in the loan committees at that point in time. But, that's when you batten down the hatches, and you've been through it a few times in this industry, and you just ride herd over the best stuff you've got, and you hope you don't lose it.

MJH: Where were most of these losses occurring? Was it oil and gas primarily? Was it real estate?

GPJH: It was both. When you go through a recession, every business is going to be affected. I guess it's good for lawyers. The law firms' bankruptcy practices were booming, and work-out stuff…The banking attorneys had their hands full. The clock was spinning on billable hours. Basic businesses—commercial and industrial—they are going to have problems. The Tax Reform Act—golly, that was in 1986. That just put us in a tail spin for another five years after that!

MJH: Tell me about that, real briefly.

GPJH: I wish I could. But that was one of the tax reforms that limited deductions, and it had a big negative impact on deductions, I think, in the oil and gas industry. You're going to have to talk to some of the oilie guys for specifics on that. What I know is that it was detrimental to the oil and gas industry because…At one point, Houston Huffman, back when he smoked cigars, said, "I'm not going to smoke another cigar until oil gets back over 20 bucks!" Twenty! And it got to 10. And it was a while before it ever got to 20! But he never did smoke that cigar!
So, it had a huge, detrimental impact on real estate. That's probably what really hurt. And that's what hurt this bank, 30 years ago. And anybody who is aggressive in real estate,

even though they participate, and lend, in many types of real estate, specifically… Yes, we had a lot of stuff. We had office buildings that were on the watch list as classified. It was all over the place.

The regulators were after us. But I had no management responsibilities over lending areas at that time, so I really wasn't stuck, except on a case-by-case basis, having to appear before them and argue a case.

MJH: Why were the regulators such a problem?

GPJH: They really weren't a problem. They are paid to come in and look at the books and grade paper. And if the papers are D or C-, you've got a classified loan.

MJH: So, was that really the issue? Were they classifying so many loans? Were there issues with the management? What was the dynamic there?

GPJH: I think it was both and all. At the end of the day, what happened was, for the first time, the FDIC participated with an acquiring bank, or a takeover bank, and set up a—I don't know what you want to call it—an independent company, all housed within the bank, and run and staffed by former First National officers. They're still in there, and this thing was called CAMCO: Consolidated Asset Management Company. So we had a very limited [fever pack?], limited amount of time, to assess the entire portfolio and decide what was going into CAMCO to get liquidated and what was going to stay in the bank was okay. I have always felt, and a lot of us felt, that—and of course, this was under First Interstate Bank, this was effective the day after the failure—but CAMCO was charged with…Whoever was working there was working himself out of a job. So those guys finally filtered their way back into the bank unless they got hired, were recruited by somebody else. But there were a lot of the guys who had been assigned to the work-out division through the early eighties, early to mid-eighties, and they really had to staff that thing up. So, we all were kind of surprised, if we really were surprised, by the fact that CAMCO was able to liquidate those assets, those loans, faster, and at a higher recovery rate, by far, than they had predicted. I can't give any details, or specific numbers, but that was the word. That was almost 30 years ago. How would I remember exactly? But the fact of the matter was, they recovered more on the dollar, and faster, than they thought. So if that happens, you have to say, "Well, gee whiz, it wasn't really as bad as they said it was."

MJH: I see what you're saying.

GPJH: So, why would we have stumbled any worse than Liberty, or Fidelity? A year and a half later, Fidelity got a $130 million FDIC assistance package, which they blamed on the Oklahoma City bank, which Tulsans are apt to do.

MJH: I've noticed.

GPJH: And there probably were more problems there. I don't know. I don't have any measure on that. But that's where I wound up.

MJH: If I am following you, then, there were all kinds of problem loans, but the regulators were really overly aggressive in classifying them?

GPJH: I think they were. A lot of responsibility fell on us to go through and assess those loans, credit by credit, and decide what was going to get jammed into CAMCO's portfolio and what was decent enough to stay in the First Interstate Bank portfolio, which was the successor bank. So I really don't remember who made the call. Was it CAMCO's recommendation? Was it the OCC's guidance on their bank examiners' results? I don't know.

You need to talk to somebody closed to the situation than I was. In fact, if you can find Allen Brown—he wound up going down to First Interstate Bank, that's a different Allen Brown. He was charged with managing the whole CAMCO operation. Paul Leonhard at MidFirst—he's a good buddy of mine, you might even talk to Paul, because he was in CAMCO. John Dewey, he's in Houston now. Brad Ferguson, I think was. These are guys who are a bit younger than me, but they all were assigned to CAMCO. And gosh damn, they were working hard.

I am not a credit management specialist. I was a production guy.

MJH: Was that your position? At the time of the [First National Bank & Trust Co of OKC] failure, you were in the lending division?

GPJH: Yes.

MJH: In other words, you were going out, beating the bushes, trying to find customers.

GPJH: Yes. I was generating business and managing the portfolio. All of the lenders are charged with…They are the first person in line to see if a deal stays good or if there are red flags, if there are warning flags, to say, "We have deterioration in credit." I mean, you kind of know it. You know it instinctively, without having to run a bunch of numbers.

MJH: How did these last 12 to 18 months [as FNB of OKC affect you, specifically, in the kind of work you were doing? You were out trying to meet new customers, generate new loans, manage the portfolio for the ones you were able to bring in. What was your day-to-day life like, during that last year or year and a half?

GPJH: Well, you're just worried, because you're watching credit quality deteriorate, across the board. That doesn't mean every deal. But those were also the days, in the late seventies and early eighties, when doctors and other investors were being promoted all over the place with the tax advantages of investing in oil and gas deals. So, we'd loan money to doctors thinking, "Well, gee whiz, that well isn't going to have to be successful for me to get paid back, because those guys are getting a bunch of surgical fees anyway." That was before the days of privately owned hospitals, that really helped them make a lot of money. I lot of my business was what you'd call private banking. So, we worked with attorneys, and physicians, and stuff like that. I financed a lot of companies too. I don't remember the size of the portfolio. It wasn't huge. The average wasn't $ 6 million; it was probably $600,000. I don't really remember.

In that line of business, too—and you know, Randy and I and Hughey [Houston Huffman] knew everybody—so the last thing you want to do is see one of your buddy's loans get downgraded. So we try to kind of hide that! You just didn't want to see it.

MJH: So, did you have to contend with some of these regulations directly? They were looking for loans that might be problems, and some of them might have been your customers?

GPJH: What those guys do is, they come through the portfolio and select the ones they want to look at. That might be a "pass," or it might be a "watch," and you get a list. And everybody is instructed to go to study hall and paper everything up. You'd better get current financial statements; you'd better get current tax returns; you'd better get the current rent rolls—and all that stuff that's missing. You don't want to sit down and have that one-on-one discussion with the manager of the department and the examiner, and he goes, "Well, Mr. Hightower, I noticed that the borrower doesn't have a current financial statement on file." And then you just look stupid. You haven't done your work. So, you know you're going to get all that, and you get that stuff and look at it, and you can support the acceptable loan grade, whatever it was. Back in those days, I think it was graded 1 through 9, and the only 1 was a Fortune 500 company, or a loan secured by cash. That was a 1. A 2 was a real strong regional company. A 3 was an average, strong, local company, or an individual. A 4 was a pass credit that was a little weak. A 5 was when you kind of get on the watch list. A 6 was when you have identified the risk of loss. A 7 was when you know you've got a loss.

So, anyway, kind of thinking about that stuff…I remember…There's an old saying that you have to think about: We had a guy, a middle-aged gentleman, who was quite a leader, and he had been in this business all his life. I think he started in consumer commercial financing, and he ran the industrial lending and leasing division. And he was a Vose man. He was going to, by God, tow the company line, grew up the old fashioned way. His name was Eldon Beller.

Well, Eldon—and this was just shocking to us—was hired away by Penn Square Bank, I'm guessing, about 1980. If that's the case, and it probably is, then I'd only been there a couple of years. But I remember going to committees when I was a credit analyst, and I remember one of the young guys in the industrial lending division—we financed equipment, we did equipment leasing, and it was all industrial equipment, very specific—and this guy, this loan officer, was kind of taking up for the client, and justifying, I don't know if he was justifying overdrafts, or justifying when there was a little bit of a weakness, he was trying to protect the borrower, as we all do, because the last thing you want to do is tell a friend of yours, who has asked to borrow money, "No." Like Randy Royce told me when I just started, "You're going to find that the worst thing you ever have to do is tell your friend, "No."

So, anyway, I don't know what this guy was doing. But Eldon interrupted him at one point during this rambling presentation, or whatever the Hell it was, and said, "Young man, do you know where your paycheck comes from?"

He was a young industrial lender. I have a feeling he might have been [Larry Ratliff?] who left us in about 1984 and moved to Jackson, Mississippi. And he still might be in the bank down there. I don't know if it was Larry or not. I was a credit analyst, and the analysts attended a lot of the lending division meetings. We had the lending division meeting, and you had certain lending parameters, and you could approve loans up to, say, 2 million bucks or something, within the division. If they were bigger than that, the loan officer and the manager would go to a credit policy committee that met two mornings a week.

And Mr. Vose never missed one of those things. And you knew that you'd better start watching out if that red knot on his head started…

Laughter…

When that knot on his head started turning red, so did the rest of him!

MJH: Now, this would be Chuck [Vose] Junior, right?

GPJH: No. Senior.

MJH: Okay, R. A. Vose's son, Chuck Senior…

GPJH: We called them Chuck [Vose] Senior and Chuck [Vose] Junior. We basically called them Mr. Vose and Junior. Nobody in the bank ever said, "Hello, Chuck," to Mr. Vose, except Kent Hayes, probably. I don't think Chuck Nelson or Dale Mitchell ever said anything but "Mr. Vose."

MJH: Can you describe Mr. Vose? Your personal dealings with him? His management style?

GPJH: You know, I didn't see a helluva lot of him in there. I kind of felt…I was always on my toes a little bit, because I thought, he was technically not family, but kind of of family, and you know, he knew I was there, and he knew I was a young guy, and he knew I had a lot to learn, and he probably, also, had a feeling that I might be a little bit cocky, thinking that maybe, I had a step up on some guys. And I probably didn't, because I should have worked harder, but anyway—on certain things…But you'd see him walking up through the lobby, and every now and then he'd stop in and say hello, and you knew he was up there on the second floor, I guess really the third floor, at that office, where he had been forever. Remind me to tell you a story…

I remember one day, I had been in the committee, and I had been on one of my week-long trips, out to the territories. Before I got into metropolitan lending…My first offer to be rescued from the credit department—and I call it a rescue, because we all said, thank

God we're going to get out of here, because I can't imagine the people who want to be permanent, professional credit analysts—so you're going, Thank God!

So, it was the national lending department. Dave [___?] and John [DeFries?] asked me if I would like to join that group. I think Huffman couldn't believe it, because he thought, "Well, you won't be doing all the local business like we do." Well, ultimately, 3 years later, I did. But I spent 3 years in what we called national accounts, where we were assigned specific territories. I had the Southeast for about a year; I had the upper Midwest for about a year. We actually hired a guy from Philadelphia, Pittsburg National, something, and parked him in New York. He lived in New York, and I think he worked in …So for a couple or 3 years, we had this guy in New York, who worked for us, and he stayed in New York, so we didn't really have to cover that too much. He covered New York and the upper Northeast. But I had everything but the West Coast. Chicago, Minneapolis. I'd go to Cleveland and Dayton and Cincinnati. When I had the Southeast, I'd go to Atlanta, Nashville, Miami, Louisville, and it was really good, because I got to know the correspondent bankers, people my age, and older, in those places, and I wish I had kept those contacts up.

But, the point being…Where was I going with that dad gum thing? Okay, that's what it was. We had some really good prospects in the Twin Cities area, because Minneapolis and St. Paul, and even at that point in time, had something like 20 to 30 Fortune 500 companies. I mean, Dayton Hudson, which is Target; Honeywell; 3-M…This went on and on. It was kind surprising, for the size of those towns. I had landed a company which was in the equipment leasing and industrial financing semi-trailers, stuff like that. They borrowed a lot of money to finance, carry their leasing portfolio. They were called Gelco, Inc. They had a chief financial officer that they had hired from Manufacturers Hanover or something, or some bank, and he was kind of a hot-shot guy, a big business developer, and he was young. He wasn't much older than me. And I walked in, and he said, "We'd love to have you be part of our unsecured lending group." It was 50 million, or 75 million, or whatever. So I said, "Fine."

So, I take this loan request back, and I go through the loan committee, and they approved this deal. Well, it wasn't but about 15 or 20 minutes later that Mr. Vose came sauntering down to my office, and sat down for a minute, and he said, "Well, I understand this deal, but I really think it would be a lot better if could get some collateral."

Laughter…

And I said, "Well, I can understand that, Mr. Vose, but this is the piece where they had a need, because of their growth and need to increase their credit line, they have added since. Well, I think he begrudgingly said, "Okay." But they probably were a somewhat highly leveraged company, but they represented a business line, but I got the point. The point is, he said, "I think we ought to get some collateral."

MJH: What was your take away from that, in terms of your relationship with Mr. Vose, or the management…?

GPJH: I knew he just didn't miss a dad gum beat. He read every word on every page of those loan applications going into that credit policy committee. I doubt he chaired them anymore. He wasn't a young man. This was 1980 or '81. But I got the point. He was used to loaning money in the local market, where the bank could control, more or less, control the terms. But when we were out there in the national market, we need to make an election, whether we're comfortable with the financial quality of a big company. I don't remember if Gelco's was published at that point. It may have been. But we were dealing with lots of big companies.

Another example: It doesn't have anything to do with the First; it doesn't have anything to do the loans; but it was kind of cool. John DeFries (?) in Chicago we, were making a swing, we'd make 8 calls a day, and we'd have breakfast with a banker, we'd have lunch with a banker, and we might have dinner with a client, it would just wear you out, but it was a lot of fun. But we were sitting in the office with the chief financial officer of American Airlines. Well, I knew at the time, by reading up on their financial statements—we didn't have computers, we didn't have the Internet, this was 1980-something—we'd get all their financial reports. And of course, if we were a credit participant in a big syndicated deal, then, of course, we'd have to get all their financial statements. So we'd get quarterly statements, annual statements, and that's what the analysts had to spread, and we were also careful to look at the footnotes to see where the risk was when the company had to disclose lawsuits or other issues like that—off balance sheet risks. So, anyway, we go in there, and I don't remember the treasurer's name, but I sure remember the chairman and CEO—his name was Dick Farris (?), and he was a pretty good friend of big Tom Reynolds. Everybody up there in the seat of power was a pretty good buddy of big Tom Reynolds! So, dad gum if Dick Farris…The treasurer said, "Well, Mr. Farris is here, and he would probably love to come in and see you guys." Well, dad gum if he didn't! So Dick Farris walked right in, you know, an impressive and charming guy, and he introduced himself, and we jumped up and started to shake hands, and he said, "What are you guys up to?" And we said, "Well, we call on you every time we come to town. We'd just love to have the American Airline account."

Dick Farris didn't miss a beat. He said, "Well, by God, we'll move them to you!"

So John DeFries and I had every pamphlet you'd think you'd need, plus all the information we'd studied up on American Airlines, and they were better off then than they are now, but we dug through both our briefcases, and the one thing we didn't have was a signature card. And by God, you could do that stuff on the spot! You didn't need any 19 pieces of paper to open an account. You pulled out a little card, and you filled out the information, they signed the back of it, and away you'd go! Take it back to town and open the account. As easy as that!

So DeFries and I said, "Wow, this is embarrassing." But we said, "I'll tell you what. We'll have somebody send one right now." The thought of carrying a signature card to the chairman of American Airlines because the chairman was ready to sign it!

Let me step back, because this is when I jump around. Going back to Eldon {Beller}: My thought was, why would Beep Jennings hire Eldon Beller, and what in the world would prompt Eldon Beller to do it? Well, before things really turned bad at First National [Bank and Trust Co. of OKC], I mean, maybe 3 years before, I kind of think that Beep hired Eldon because he was a hard-line, old-fashioned banker, and I guess he thought he could control the Monk.

Pause…

MJH: Of course, you're talking about Bill Patterson.

GPJH: Yeah. Did you ever get a hold of him?

MJH: I'm working on it. Your friend Eddie Wells—actually, yesterday, he said he was going to meet with this brother-in-law, so I am kind of following that lead. I talked to him a couple of days ago. He's on the case.

So, you are thinking that Beep Jennings was already seeing some loss of control, because the oil and gas division was so aggressive.

GPJH: I think Beep loved him [Bill Patterson]. I guess. I mean, I don't know. I wasn't close to that thing. But you could tell that he didn't have any control over the Monk [Bill Patterson].

MJH: And you think that he hired Eldon Beller to exert some control.

GPJH: I think he did. I think he needed an authority figure, who was an old-line banker. But, it was obviously too late. And I guess Eldon died a number of years ago. I can't remember. I never knew him very well. But he was the kind of guy you would immediately have respect for. I mean, he was the kind of guy…You wouldn't want him to see you walking into the office at 8:05 or something. You'd never be late!

Mitch loved to have us go out—Dale Mitchell—be out and around. Once he told me, or us, he said, "As long as you get here on time and leave on time, I don't care what the Hell you do in the middle of the day. Play golf…back in those days, I couldn't take off and play golf. Never would have happened. Might sit back and smoke a cigar at 3:00 on a Friday afternoon, in my office! When you could do that…

MJH: Since you brought up Eldon Beller and Penn Square…

GPJH: Of course, [____] smoked 6 cigars a day in his office!

Laughter…

At 8:05 a.m. he'd go down to Ed's Pipe Shop, buy a handful, a half dozen of Romeo's and Juliets, come back, kick back—of course, [____[was probably 75 years old then, and was only doing us all a favor, going to work for us. He was from Ardmore. He'd kick back and read the *Wall Street Journal*, glad hand, have some old friends and clients come in from the correspondent banking division. By the time the day was up, by the time he went home to have dinner with Bobo (?), he'd smoke 6 Romeo and Juliets. He kept a bottle of Rum in the corner drawer.

Laughter…

MJH: My word! Besides Eldon Beller and Penn Square, can you summarize 1 or 2 or 3 really apocryphal stories from that time, that really let you know that the bank [Penn Square Bank] was in trouble, and the extent to which that affected your business at First National?

GPJH: During that time, I only left the national division, and moved into metropolitan lending, in the spring, I'm guessing, like March or April, 1982. I mean, we were two months away from the failure. I had little children, I was on the road a week every month, my business was all national except for national clients that had local offices. I didn't even hear that much, except stories of big parties, drinking whisky out of boots and throwing quail at Cowboy's [Bar]. I never saw Bill [Patterson], really. I was just away from it. I even missed out on—you know, my gang of thieves that were a bit older than me, stuck on cocaine—I never even saw it!

MJH: Where were you one the Fourth of July weekend [1982], when everything came to a crescendo?

GPJH: In Harbor Springs [Michigan]. In fact, I was walking down Main Street, on a Monday morning, July—5th? Was it a Monday? You'll have to check the books. I think it was—that's when we moved in that little house back there, and I was at the hardware store, trying to find something I forgot. So, I was walking down Main Street about 10:00 a.m. on the way to the [____] Hardware, and I saw John Kilpatrick Jr., across the street, and flagged him down, and…he said, "Hey, did you hear the news?." I said, "No. Whar?" And he said, "Penn Square Bank failed." That was the first I heard of it. I was on a 2-week vacation.

I need to leave in about 5 minutes.

MJH: We can continue another day if you want to. Are you okay with that?

GPJH: We'll probably have to…

Well, that's a whole lot more stuff than I thought I would remember.

MJH: That's what happens. I'll tell you what: We will conclude today…

GPJH …sitting in the cash vault, sitting next to big ole fat Jackie. She was a stitch!

MJH: We can continue can do, is next week sometime, we can continue. I also want to know about post-First National [Bank and Trust Company of OKC]. You worked at Fidelity for several years, and then..

GPJH: 50 weeks.

MJH: That was it. Okay.

GPJH: I say that, because I wasn't there a year. Randy [Royce] got the Hell out…This late, mid-to-late November meeting we had, he came back, and he was out of there. He was at Capitol National [Bank], which Ken [____] bought…

MJH: And that failed…Did you go directly from First National [Bank and Trust Company of OKC] to Fidelity, or what?

GPJH: BOK bought it in about 1981. And from then on, the problems were always blamed on the fact that they bought Fidelity Bank.

MJH: Okay, that's the story I would like to pick up on. If that's alright, I'll see you again next week.

GPJH: You'll also have to probably talk to somebody who was a lot closer to the situation, who was there before we showed up. We were only there for 7 months. Randy [Royce] said, "Do you mind coming into my office?" (This was one day in late March, I guess.) And I thought, oh my gosh, he's heard that I have been talking to [Jerry ___]. I felt so bad. I felt like an absolute traitor. He came in and shut the door, and I was just shaking. And he turned around and shut the door and smiled and said, "I know just what you're doing, because I'm doing the same thing!"

Laughter…

End of First Interview – To Be Continued on 10/22/13

MJH: It is Tuesday, October 22, 2013, and I am in the offices of G. P. Johnson Hightower at Stillwater National Bank in Oklahoma City, for the second time, to conduct the second of two interviews from Johnson's banking career, both here at Stillwater [National Bank / Bank SNB] and former lives at other banks.

So, whatever you can think of that we didn't cover…Maybe you want to go back to your early years at the First, maybe some of that condensed history toward the end…Let's talk a little bit about your experience at First National Bank [and Trust Company of Oklahoma City], and particularly things that you think you left out from last week.

GPJH: Well, I talked so long about it, I don't know what the heck I left out. I think I kind of went through where I started, in the management training program, and got sucked into the credit department, and made an escape after only nine months. I was in the national account division for a little over three years; metropolitan banking division…That was the bread-and-butter business. I started in there in 1982, and it was really two or three years later when things were getting a little rough. So, the beginning wasn't too bad, even though three months after I started, Penn Square Bank failed.

MJH: That's true. So you started…Penn Square Bank failed on the Fourth of July [weekend] of 1982.

GPJH: I made the move into the metropolitan lending division in, I think, April 1982, after three years in national accounts, and being on the road a lot. Fast forward to June. So, within two months, Penn Square Bank failed. And it took, you know, three or four years for the rest of the ones that were going to down, to flutter around, before they came falling to the ground.

But really, I have limited memory of that last year or year and a half. I don't know why. I think it was all so unpleasant, there wasn't anything you wanted to remember!

MJH: I understand that.

GPJH: I mean, you remember a lot of stories, and funny things from the earlier days. But, I think I said a few things about Jim Cairns, Dan Zapton…It just seemed like it was all over in such a flurry. I remember a lot more about when I came back, and I came back in April 1987, which was 9 or 10 months after the [First National Bank and Trust Company of Oklahoma City] failed. I made that brief and unfruitful trip. That was okay for a few months, at the Bank of Oklahoma, and then got out of there.

MJH: In other words, you came back…You were at Fidelity then…

GPJH: It wasn't Fidelity anymore. The old Fidelity had been bought by BOK. I was there for 50 weeks, and decided to get out of that deal. It was being ruled by the Tulsans, and they didn't like us.

MJH: Why do you think that is? What was your sense of that relationship?

GPJH: Well, a couple of things. Number one, you've got that city versus city thing, and that drags itself into people versus people. But the remnants of Fidelity Bank became the scapegoat in the Bank of Oklahoma organization. They agreed on the FDIC assistance package, which they blamed—and that might be true, I don't know. I wasn't a chief credit officer or something, so I can't quantify it. Maybe most of the bad assets were in Oklahoma City. Compared to the size of the bank, there were. I'll you who would know a lot about that stuff was Mark Funke, because he's their CEO now. He was one of the group that came over from Tulsa to run certain departments, during that year I was there. And when Stan Lybarger took over Oklahoma City, before they pulled him back to Tulsa, he brought in, or management from Tulsa sent over, at least three other guys from Tulsa to run some of the divisions. And they kind of put them on top of our heads.

So, number one, the Tulsa group blamed Fidelity for making life tough on the Bank of Oklahoma, so consequently, the Oklahoma City management BOK Oklahoma City had brought in, were kind of run out into the streets.

MJH: Is Funke F-U-N-K-E?

GPJH: I'll bet he would be glad to talk to you about that next wave. Mark…When Burns (?) was vice chairman, Mark was president of BOK Oklahoma City, for a long time. He's got a lot of executive experience. When we went on a search for a new CEO here, when Rick Green was going to retire at 65.

MJH: From Stillwater National…

GPJH: I guess Mark just threw his name in the hat. He was so intrigued, because now he's the CEO of a public company. It was apparent—I guess it was apparent, I am told it was apparent—that he was not going to be in the running for the next candidate to take over as CEO of the Bank of Oklahoma. I think there has been a guy named now. I don't remember who it is.

So that's what intrigued Mark. He can travel to New York, and he and the CFO Joe Shockley are going to be talking to our investors, and Wall Street, and all that kind of stuff. But that was never going to be part of his job description at BOK.

So, as much smaller as this thing was, he thought, this would be really a cool deal for him to wrap up the last ten years of his career, if he wants to work until he's 65.

MJH: And "here" meaning Stillwater National Bank?

GPJH: Yeah. He's CEO of Southwest Bancorp. I talked about that second topic, and then the memory kind of fades. Mergers and acquisitions in the business are in confidence.

But basically, what happened here, and I can't really recall exactly what all went down in Tulsa, but what happened here, was that the First National [Bank and Trust Company of Oklahoma City] failed. That thing went down…Well, let's back up.

I think it was 1981, I *think* it was 1981—you'll have to check the history, maybe it was 1983—the Bank of Oklahoma bought Fidelity Bank. So Bank of Oklahoma comes to town. It was '83, maybe '84.

MJH: I can check that. I've got it anyway. That's okay.

GPJH: But I was standing off in the other place, and I wasn't really paying a lot of attention to it, except to know that it happened. Now, the First National [Bank and Trust Company of Oklahoma City] failed July 19 [check date], 1986, and was immediately taken over by First Interstate Bank of California. I guess the FDIC knows what's coming down, and they run around looking for an acquiring bank, and these guys said, "Okay."

I don't remember exactly when Liberty Bank was bought by Bank One. But Liberty never failed. Fidelity never failed, either. That was never a failed bank. Of course, Bank of Oklahoma never has. So we were the only one of the big boys that failed. Now, a number of the smaller ones did. Citizens Bank failed in April, I think it was April 1986. It was, like, three months before First National [Bank and Trust Company of Oklahoma City]. And then, in the late eighties, maybe '90 or '91, Bank One bought Liberty Bank, and then, of course, several years ago…Well, no, actually, Chase absorbed Bank One, I think, before the JPMorgan Chase merger. But I might be wrong about that. But that's what happened to the three big guys. And I am close on the time, but not the exact order.

And then, what happened to us, is First Interstate Bank got in trouble in its California and Arizona territories, probably the upper Northwest. They were a pretty strong West Coast bank. So, 6 years after—no, five years after they acquired, almost to the week, the First National [Bank and Trust Company of Oklahoma City] in failure, we convinced them to sell the Oklahoma bank, the First Interstate Bank of Oklahoma, to Boatmen's Bank in St. Louis. So in August 1991, Boatmen's came in, and in about 1992 or '93, Boatmen's Bank of Oklahoma acquired Founders Bank, the other old Vose bank, which I think at that point had finally merged, or combined, with the Village Bank—you know, they're little northwest OKC banks, and Founders Bank…

And then, I left in 1995, and subsequent to that, Boatmens'—about a year or so later, about 1996 or '97—was acquired by a bank…No, first they bought…What was that other bank they bought? Hell, I can't remember.

But, at any rate, Boatmen's sold to Bank of America—no, sold to NationsBank, which effectively became Bank of America with that merger. Bank of America was the old North Carolina National Bank, NCNB, in Charlotte.

So that's what all happened: it goes from Boatmen's to NationsBank to Bank of America. But I was gone.

When I came out here [Bank SNB], we were a $400 and something million company, that had gone public two years before. So that's pretty little outfit to go public. I think that was always Bob McCormick's dream, to have this public company. Now, if he knew all the things that go on these days, not so much from a regulatory standpoint, but I think, simply, from accounting. I don't know, but it gave the bank access to a lot of capital.

MJH: It [Bank SNB] went public in what year?

GPJH: '93. Because in March [2003] we had the 20th anniversary. So we were a two-year-old public company. But the bank was founded in 1894, so it has been around a long time. I think it was in 1970 – something – when the holding company, Southwest BanCorp, was…Or was it? I don't know. You'd have to read the history. I don't know if we formed Southwest BanCorp when we went public, or it already was a holding company, and the holding company went public at that point in time, or if we were simply still Stillwater National Bank and Trust Company. But, Stillwater National Bank came into Oklahoma

City and Tulsa in…I hope I don't get the facts wrong…I think '91, but that was upon the auction, I guess it was—did we still have the Federal Savings and Loan Insurance Corporation then? Maybe we did.

MJH: So, did it come into Tulsa and Oklahoma City about the same time?

GPJH: They did come in at the same time, and they did it by buying, at auction, one, two, three, I think—three failed Continental Federal Savings and Loan banks. One was in Tulsa, one was in Oklahoma City, and I am sure we bid on more. I mean, it wasn't here, but those are the ones we got, plus one in Chickasha. I think they threw it in the package, thinking that nobody was going to take Chickasha by itself. I don't know that. I think I heard that.

So, we have had a branch in Chickasha since 1991, and we're here; downtown, just north of the Skirvin Hotel, in the old Continental Federal drive-in; and an office in Tulsa. We subsequently got approval to move those branches, and we moved downtown—I don't how they got away with it—moved downtown, to the Waterford; Tulsa was on 61st Street and Lewis, I think; and then we built the main bank, later in the nineties—about '99, 2000—the one at 15th and Utica.

MJH: I remember that being built. I used to office near there. That was a big deal.

GPJH: But then, in about, maybe, in '03—I think it's been about ten years ago—we moved into…Was it Frisco, Texas? It's one of those north Dallas communities. We opened our first Texas office. Subsequently, [we opened] one in downtown Dallas. Subsequent to that, we bought a little bank outside San Antonio, that had three branches, so that put us in the Texas metropolitan areas of Dallas, San Antonio, and Austin.

MJH: Is there an easily accessible list of the branches? Online, probably?

GPJH: Yeah. You can get it online, and in the annual report too.

MJH: Do you have an extra annual report?

GPJH: Yeah. Stop that thing [recorder] and I'll get it.

Pause to find publications…

MJH: Paused while Johnson went to find an annual report.

GPJH: So, anyway, without going into all this stuff, we do have one in Edmond now, and one down on South Walker—branches. Yeah, it's Frisco. And then, we moved into Kansas at about the same time that we moved into Texas.

MJH: The Texas acquisitions began in about what year?

GPJH: We only bought one bank down there. We started ne novo branches. I think in about 2003, pretty darn close, so it's been about ten years. We went into Wichita, first, as a thrift, which actually we still are, and all that's going to fold up here in the next month. And with one charter, with the name change.

MJH: The whole bank?

GPJH: Yeah, it's right there.

Looked at new logo and brand…

It's going to be Bank SNB. Thunder [OKC NBA team] colors. Whoever thought of that?

So we went into Wichita. We've got two branches in Wichita. And then, we bought the bank in Kansas, Hutchinson, which gave us a couple of branches up there. There's a good little bank in Hutchinson. And then we bought a failed bank, and made a deal with the FDIC, on what you call covered loans. They guarantee losses up to 80 or 90 percent of the portfolio on classified credits. And that's a little bank in the rural Wichita area, so this says, Anthony and Harper. And I think we closed one of them recently. So that just gave us a little more concentration, but these aren't suburban; these are little communities around Wichita. And then we have a branch up in Overland Park.

MJH: Would you say that the bank has an acquisition strategy? What's the rationale for going into these particular markets?

GPJH: Well, I think it was kind of an Interstate 35 play. Our previous CEO, and I still think he had a good vision, was to align ourselves a bit, strategically, up and down Interstate 35 into good communities. And then, you talk about the market share opportunities in Texas! You've got 26 instead of three and a half million people!

Laughter…

So, those are real good communities. I would say, we have an acquisition strategy, in terms of, we plan to make some acquisitions. I can't say we have one in terms of a target list. In fact, we're really not in a hurry to do that. The issue, like a lot of community banks, and big banks, in the last several years, has been to get healthy, get our feet back on the ground, and get growing again, and take care of the core assets—the core business.

MJH: Does this sort of speak to the Stillwater National Bank experience in the 1990s? I mean, there was the depression of the 1980s, and it sounds like you climbed out of it, and one way to do that was by acquiring some of the weaker banks around.

GPJH: Well, no, because we did that a lot later. I think we had one year of losses somewhere in the late eighties. I wasn't here then, but I remember Mr. McCormick talking about it. I think this company lost money one year, well, up until four or five years ago. Then, it was just terrible. So they didn't grow out of the eighties by acquiring anything. We didn't

–we never made an acquisition until…When was that first one? Was it a bank in Kansas? Am I missing something? No, we didn't have a history of acquisitions at all. I kind of joke at the fact that we didn't know how to buy a bank! But Mr. McCormick knew that, even though he had grown this from the third largest bank—he had grown the thing from the third largest bank in Stillwater, Oklahoma, to a market share of something like 65 percent of that community, I mean, you're pretty much tapped out! How much farther can you go? So he knew he had to get into Oklahoma City and Tulsa, at least, in this state. So that's why they made a play to bid on failed Continental Federal [Savings and] Loan branches. I guess the FSLIC was auctioning off…I think they were auctioning packages of those branches. I don't know how many of them there were. Remember, s&ls could branch all over the place, and banks couldn't. So there were some good pickings.

And we may have been on board…But those three got us to Oklahoma City and Tulsa. So, it was kind of game on.

For comparative purposes, compared to Stillwater, you had a huge growth opportunity, and we still, even though we have grown well in those two markets, we still had a very small market share of metropolitan business.

MJH: So, Tulsa, Oklahoma City, Stillwater, and Chickasha—it that it?

GPJH: Yeah.

I don't know where else we would like to be. Kind of off the record…

Paused to turn off recorder…

MJH: You're talking about 2008?

GPJH: Yeah.

MJH: Is that [shrinkage of bank assets] because of real estate? Is that because of energy?

GPJH: We just got in the energy business in the last few months. We had never done it, to any degree. When I started here, we had a guy by the name of Jim Marshall, who was one of the town's great characters, who had been trained in Dallas, maybe Republic Bank or something. He had been an oil and gas lender, so he brought some clients with him, and we had an oil and gas policy—this was in the nineties. Then Jim left, and that probably all rolled off. We eliminated oil and gas lending policies from the loan policy manual, and just re-adopted it this year. We already got, from Coppermark Bank, a young guy, been in the industry, oil and gas lender. He knows his stuff and has good contacts. He's sitting right over there. I saw him a while ago.

We're making a move into it. Mark [Funke] understands it, because Bank of Oklahoma is a big oil and gas lender.

MJH: So assets, in the 2008 period, went from $3…

GPJH: I think we peaked at $3.1 billion. We're at about $1.750 billion now. But also, and don't quote this…Two and a half years ago—it was late in the year, it was December of, I'm thinking, 2010, maybe '11, and we sold about a $300 million loan package. I was auctioned off. It was bought by, I think, two different entities. I mean, these were like, big boys. It was a market value of $300 million, but we sold it for, like, $100 million.

MJH: Big discount!

GPJH: Yeah. So we had some big write-downs. That was just a huge loss that year. But one of our directors, Cheryl Young (?), basically grew up on Wall Street in his career, really smart, put that concept together. She said, "I think you just need to package that stuff up, sell it off, get rid of it. Just get rid of it, or it will drag the bank down forever, trying to work out all those loans." She went through stuff. And so, we did it. Stepped ahead, marched on down the road, and it did not have that much effect on capital, because we were still well capitalized.

MJH: Would you say that was not an unusual strategy since 2008? I mean, everybody is trying to shed debt and get rid of bad assets.

GPJH: We didn't have that much debt. I think it was a way…It didn't get rid of every problem we had. I don't really know. But that was an arduous process to go through. It was similar to what CAMCO went through. Which way is it going to go? Is it going to go to the bad bank or the good bank? In this deal, it was about $300 million in bad real estate loans.

MJH: So was of it come from subprime loans, then?

GPJH: No, not really, because this was commercial real estate. This was commercial, not residential. These were not from a residential mortgage portfolio. These were development deals. Development had stalled out. Maybe the deal got built, but pre-leasing activity, you know, people didn't come through with their commitments, because their businesses were scared; they couldn't grow as they planned to; so the lease-up activity on that development didn't happen the way it was intended to happen, because we didn't know it was *gonna* happen. All those kinds of things. Maybe big land deals that, I mean, big projects where you've got the land bought and you're going to build, but you couldn't build, therefore you're having trouble with the interest carry on the land because you couldn't get the development funding. I mean, there could be any one of numerous scenarios that cause a deal to go bad, or you did get it completed, and never leased up to where it was supposed to be, so they did not meet proformas, because everything went to shit.

This was all commercial real estate, and I am sure, various kinds of it. I mean, there was even medical stuff. But I never knew. I was not even involved in lending, at that point, and I sure wasn't involved in the credit part—credit administration, making the call on what to put in the portfolio itself.

MJH: Along those lines, think about something you mentioned earlier: the 1990s. I know that's a long stretch of time. But how do you recall that period in this state. There was certainly a road to recovery. Things got a whole lot better in the business. So, what thoughts do you have about that whole era, up to 2000?

GPJH: Well, it was slow. I remember in 1991, and the bank had failed 5 years ago, and it still wasn't any good. And also, during that period in the late eighties and early nineties, Oklahoma City kept coming in second and third in big economic development plays. So, we're going to pass this bond issue, we're going to pass this tax, if we get so-and-so's plant. We never got so-and-so's plant. They went elsewhere. The chamber people were doing exit interviews with these companies, that said, "You came in second. I mean, all the numbers looked real good, and that's all great." So we said, "What are we missing here?" (We kind of knew anyway.) And they said, "Well, it's quality of life issues. You've got a run-down, triple A baseball stadium; you've got what's kind of a run-down symphony hall. There aren't any restaurants downtown. There's nothing to do at night downtown. The suburbs are pretty nice, but you just don't have the arts and culture of these other places that you're losing to."

So, that's why we said, "The hell with competing with these deals, not til we grow up." So there was a big chamber retreat. Ken Townsend was highly involved, and Ray Ackerman was highly involved, with chamber executive management, and other people. I don't know who the rest of the people were sitting around that table. I'm sure Ron Norick was. I mean, Ron Norick gets all the credit in the world for MAPS, and he deserves a lot of it, but he didn't invent it. I think Ray Ackerman was the real mind behind the genesis of what we did.

And then—I mean, this is when you need to go and interview Ron Norick—I see Ron a lot. I saw him twice last week. And he's real easy to talk to. But they were going, "What are we missing?" And then, you just brainstorm. Well, you can't do it all, so they had to cut stuff out, and they had to cut the art museum. That's a perfect thing to get private funding, so it did. And it happened later. I think this is the tenth anniversary.

But they came down to 9 projects. And I mean, every company CEO was pulling all senior management into big meetings, and that guy—I wish I could remember his name, just research it—the guy that came in here as a consultant on the deal. Every CEO was dragging him around to big meetings with their senior staff, lobbying up everybody to vote for it, because if the business community is going to vote for it, you're going to go home and talk about it, and still this thing passed by a slight majority.

MJH: And this was…

GPJH: This was MAPS, now called MAPS 1, because nobody ever thought about MAPS 2! That passed in 1993, after a hell of a lot of lobbying. So I'm saying, we still went into the early nineties in a desperate situation. And by the mid to late nineties, things were getting a little more fun, and business was getting better. But it was going take a couple of years to decide even the first of these projects. So it wasn't until the late nineties that the first of those MAPS venues began to open.

MJH: What was the first one? Do you remember?

GPJH: It might have been the ball park. We went over and spent some money on the fairgrounds, but that wasn't that much. The river was about the last. The civic center's still in there; the canal—the canal was about '98 or '99, and we stayed home that Independence Day weekend just to see the opening of that thing, and ride on a boat. In fact, I think even Mom and Dad even came.

MJH: You're talking about the ride through Bricktown? I've done that a couple of times.

GPJH: I haven't done it since the very get-go.

MJH: We did it last summer with Judy's [MJH wife] granddaughter. It was kind of fun. It was fun to go by those huge statues too.

GPJH: They've got the extension of this thing in now. We walked it all about a month ago. It's real cool.

Anyway, all that happened. So finally, we turned the corner of the millennium, and things were heating up pretty well, and then we went into a techno-recession. That bubble blew out. We kind of had to strap on our boots again. But it just didn't seem really all that bad. That didn't have a big impact on us here. It really didn't. We ended up, in 2007 and '08, that everything…

We had been a big real estate bank for decades.

MJH: That's what I was going to ask you: What's this bank's brand?

GPJH: A lot of real estate financing, but lots of different types of real estate. And health care. About four years ago, we made a strategic decision to focus on health care, because health care start-ups don't fail at the rate others do. Usually, there are doctors and dentists setting up shop, and the doctors have hospital affiliations. And then we got big into the private hospital deal.

MJH: Okay. So, you when say you got into these things, are you talking about financing construction?

GPJH: Yeah, we finance construction.

MJH: Building a lot of medical offices?

GPJH: Yeah, seven of them. We continued that through the mid to late eighties with a healthcare division, which we since have shuttered because they all left en masse to MidFirst.

Management felt we were getting too scattered, and there's a lot of good business in our market territory, so we don't need to be marketing a deal in New Mexico, or South Carolina, just because it was in our line of business. And we were doing that stuff.

MJH: So, you kind of pulled in your horns and focused some more, beginning about…

GPJH: I'm talking about before this latest round. I mean, we were doing nice deals and smaller deals, but we were financing medical office buildings and private hospitals in Oklahoma City, and Tulsa, and our other market areas, starting in the early 2000s, when we got Kansas and Texas. In the late…Let's say, about '09 or '10, we were kind of pulling back on account of the troubles. Then, about two years ago, the healthcare lending division left, but that's after they had been told to focus their resources in our market area, as opposed to talking to loan brokers, who said, "We understand you guys do these kind of deals, and I've got a deal for you in Florida." This kind of stuff. We pulled back into our market area. That was the only group that expanded out and was financing large projects, well out of our market area.

MJH: Who is your biggest competition?

GPJH: Well, the guys that are a lot bigger than us. Bank of Oklahoma and MidFirst Bank probably would be our biggest competition. I think they definitely are. We cross paths with BancFirst and Arvest, probably some of the community banks in Edmond, and some things like that. But we don't lose a lot of stuff to them. We don't lose anything to the big multi-state guys. Bank of America and Chase have the capacity to do such big deals, that I really don't know who their clientele is.

MJH: Do you do very much in really small towns, from the Panhandle to McCurtain County?

GPJH: No.

MJH: Okay, you're really focused on…You have branches in four towns: Tulsa, Chickasha…

GPJH: Chickasha is a limited community. It's a good deposit bank. It's a good deposit bank, but it's not some big loan growth potential.

MJH: So you don't go out into the rural communities…

GPJH: No, we don't go into the rural communities. They are all served by their own little banks, in the county seats, or something.

MJH: Well, you've kind of gone from the nineties and morphed into the early 2000s. So, can you look back on your own, personal career, and make any generalizations about this industry, where it stands now in the Dodd-Frank world. There's a lot of conversation about that—the regulatory environment. Do you feel any particular pressures there? Particular opportunities?

GPJH: I don't really know, except to take the regular monthly required compliance courses. I'm not the one to deal—which we all have to do. Everybody who works in banks has to take courses, in whatever method they use. We used to have somebody come to teach a class, and you'd take a quiz, and you'd pass it, and you would put it in the file. Now it's an online thing through the ABA.

MJH: And they test you on your…

GPJH: Reg Z, or fair lending, or loans for directors and officers…I mean, all these areas of regulation, we have to take these compliance tests every year, one or two a month. That, in addition to knowing lending guidelines, and that kind of thing…

Our people in compliance, and our people in finance—those people who deal directly with the regulatory burdens and public institution financial reporting, and all that bit—they are highly aware…But it doesn't impact my personal life very much, but it impacts the life of the company. Just not me!

Laughter…

MJH: Now, who has to take those compliance courses? Just officers?

GPJH: No, all the staff. All the staff. Anybody who touches stuff. Those who get the loan documents done, through a central documentation pool—they need to understand the reporting, and the administrative assistants have to take them. They have to know everything we do.

MJH: And this is offered once or twice a month?

GPJH: Mmm.

MJH: So do you get an email, come in some morning, and…

GPJH: We used to. Now it's on our Intranet, and we need to check it the first couple of days every quarter, every business quarter, and it's posted on there, what we need to take, and you've got until the end of the quarter to do it.

MJH: And that comes from the ABA?

GPJH: Well, it comes from…They have a division, or service, that provides this online course material. But, our communication on what's assigned is purely internal.

I'm sure it's all compliance, showing proof that all the officers and all the assistants took all this stuff. That's been going on for years. But I think, actually, that's been going on for all the years I've been in this business. There's just a lot more of it. And it's more complicated, and those regulators and politicians up there keep complicating it everything they pass by layering up on it!

GPJH went to desk to pull samples of testing material, dropped them with a thud on growing stack of papers…

Error Credit Report; Serving your Military Customers; Equal Credit Opportunity Act; Sexual Harassment in the Workplace; Community Reinvestment Act; Fair Lending; Bank Secrecy Act; Privacy for Customer Contact Personnel; Bank Protection Act; Bank Bribery Act; Reg Z; the Home Mortgage Disclosure Act; Equal Credit Opportunity Act; Reg O; Flood Disaster Protection; Information Security and Red Flags…

That's some of them.

MJH: Did you pass them all?

GPJH: Yeah, you have to pass them! If you didn't pass them, you'd re-take them.

MJH: That happened to me when I took a course in parachuting, with Ashley [interviewer's daughter]. I missed a question, and had to re-take it, just before we bailed out of an airplane. I made the teacher nervous.

GPJH: I bet you had to re-take it! Anyway, that stuff isn't that hard. It's kind of tedious. But, it's a good refresher. And I, you can't remember it all.

MJH: Do you have any final thoughts? Challenges and opportunities in the business? Is it fun?

GPJH: It's…It's kind of a grind. I said this a long time ago: One crazy thing about being a salesman in a bank is that you've got to walk out the door and be a salesman. Then, when you come back in, you've got to be a salesman again, because you're got to sell yourself to the prospect, and then you need to come back and sell the prospect's credit ability to management, or to credit administration—the loan committee.

MJH: So, it's a pretty high pressure environment.

GPJH: Unless you just have an excellent prospect, a highly coveted prospect that is kind of like real easy. But if it's that easy, how can you even steal them away? And you also have to be real leery of somebody who says, "My bank is really pissing me off lately." That's probably because they quit paying his overdrafts—some red flag, like I was just talking about. So, maybe they really did. Maybe they really have bungled the service on a really good client. But a lot of times…That's when you need to have been out there calling on them, because all of a sudden, if they really do get upset with something their bank needlessly did to them, not because of their own poor performance, then they're going to remember the guy who was waiting in line, saying, "Well, if you ever have an issue, we'd sure like to talk to you." But if you haven't been out there for a couple of years, and so-and-so from BancFirst, they're going to call that guy, when they finally say, "I think I'm finally going to make a move."

MJH: In this technological age, would you still say it's customer service—that the bottom line is, know your customer?

GPJH: Yeah. Oh Yeah. Totally. It doesn't matter how automated you can do anything. People still want to deal with people.

It definitely used to be an easier business.

MJH: In terms of…?

GPJH: When the regulatory burden was not as deep. It's good for you to go through the tough times, but you always remember that. I think the quality and the academic approach on behalf of…One of them just went by. But the credit analysts…Back when I was doing this, that was a training program for the lending staff. You'd go through the credit, analyze financial statements, and write up credit review memoranda, and all this stuff, that the loan officers would take to the loan committee. But now, we kind of have professional credit analysts, and the people who do this kind of work their way up into senior credit administration, and they stay on that side. They stay in credit administration, risk management, all this bit, and I wouldn't go back into that hair ball…Dang, if somebody said, "Here's a $100,000, go be an analyst for six months," I'd say, "Forget it!"

Laughter…

MJH: Well, I know what you were saying the other day, there used to be a training program, where everybody would get a taste of everything.

GPJH: Yeah, and I don't really know how these credit analysts learn all this stuff. All the people we hire aren't right of school. But I think if you go to big companies…In fact, I just ran into my old buddy, Mike Bickford, and Will Bickford was in Cody's [interviewee's son] class, went to TCU, and Mike told me a few months before Will graduated that he had an offer from [Compass Bank?]. And they had him in Birmingham, Alabama, with a pledge class of about 25, and when he finishes up there in two years or whatever it is, they might send him to Houston or Dallas or whatever. But maybe they are doing all of their credit training there. We had about nine people in the credit department at First National [Bank and Trust Company of Oklahoma City], but they weren't all hired at the same time. They filtered in an out of there. They had one guy managing the thing. I remember, Republic [Bank] in Dallas would hire about 40 people a year. Or First National Bank of Dallas. God knows what Bank of America and those guys do. Or Wachovia, North Caroline National Bank, which were independent banks back then.

But the point is, Will Bickford, in Birmingham, in a big training class, and then they will filter them out. But, I am sure some of those people will become permanent analysts. You know, like Wall Street analysts. Just because you learn how to analyze, that doesn't mean you're going to move up into something else, because that's what they do. They've got those industry analysts.

Waldo's son, Jack Waldo, was a trucking analyst at Stevens (?), in Little Rock, and he gets paid real well.

MJH: So would you say, some of these positions have become more insulated from the rest of the bank? If you're a credit analyst, but you never learn how to make a loan…

GPJH: No, a lot of times, they will meet with the client. And there's constant interaction with the loan officers. It just always drove me crazy when some analyst would finish a package and give me about 30 questions that he wanted answered. You'd go, "Holy shit…"

MJH: At least you get outside the bank.

GPJH: Yeah. I wouldn't want to do this for a whole lot more years.

MJH: You can now go off the record.

End