Oklahoma Bank and

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Interview with Gerald R. Marshall
Liberty and First National Banks of OKC, 3/11/2011
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Audio taped at Gerald Marshall's office and transcribed by MJH

MJH: It is March 11, 2011, and I am speaking with Gerry Marshall in his office in Oklahoma City, and we talking about his experiences at Liberty Bank and some of his other banking experiences. Thank you so much for agreeing to visit with me, and continue…

GM: Why don't I just go back a little bit and…As I said, I went to work for Liberty Bank after I graduated from OU, and that would have been approximately 1957. I was there for 16 years, starting with so-called…Very fortunately, having come through the commercial lending side, I became president of Liberty in 1972, I believe. Being young and ambitious and somewhat naïve, I probably learned all I could learn within the walls of that institution, and I had an opportunity to join the First National Bank in Dallas, which at that time was probably the second largest bank in Texas, and a regional bank. And probably—certainly I felt at the time—the best managed bank in the Southwest. I was placed in charge of what they called the Special Industries Lending Group, which was real estate, oil and gas, investment banking…those industries that were somewhat specialized in their line of business.

I had been there almost 2 years when I got a call one day from a good friend of mine in Oklahoma City, John D. Hastie, who was an attorney, formerly with the Crowe and Donlevy Firm. He was not an employee of the First National, but had spent most of his time working as counsel for the First National Bank.

MJH: Could you spell that?

GM: H-A-S-T-I-E. He ended up…He organized a firm that actually officed in the First National Bank building. His call said that he had been authorized, on behalf of Mr. C.A. Vose, to invite me to come up and have dinner with the two of them as well as Chuck Vose, Jr., who's probably 12 or 13 years younger than I am. Which we did—we had dinner at the Beacon Club, had a few drinks. Mr. Vose always gets pretty cordial after a couple of drinks, and he said, "The reason we wanted to have dinner with you is, they tell me I need to retire, and Chuck Jr. doesn't want to be in the banking business, so we need to hire a new president.

MJH: When was this?

GM: Well, let me look here…

MJH: That's okay, you've got it written down…

Referred to brief bio he gave me…

GM: Would have been in late 1973. And the other two senior people in the bank were named Bill McDonald and Felix Porter. Both of them were…McDonald was right at retirement, and Felix was a couple of years away. And so really, he was looking at the succession in terms of the overall management of the bank. Having competed with the First National for a number of years, I was aware that there were people that had really helped build the bank, and were either retiring or were about to retire. So it was really kind of an interesting challenge, plus the fact that they were really the only Oklahoma City bank, at that point in time, that had any kind of national account relationships—they did all the business with the state, for example, the state treasurer, and, you know, had these long standing relationships that really could be built upon, if you will, to further enhance the bank. I was interested, and missed Oklahoma City—it's kind of interesting and is probably a reflection of my personality, but you can walk down the arcade at the old First National Bank, and every other person you'd see, you'd know. You walk down the street in Dallas, and you didn't know anybody! So that was somewhat homesickness, I guess you might say. I'm pretty sure I did join the First National, and really had—up until his death—and still have a really good relationship with Chuck, Jr.

Mr. Vose gave me kind of an open hand in terms of hiring people. In fact, there were a couple of people who'd kind of grown up there off to other places. Randy Everest, who came back and became the trust department head, and a guy named Joe Krepps who had gone to one of the suburban banks as president and came back…in the credit administration area…Then we hired a really good group of people, I thought, who went into some other areas of lending.

The bank was not without problems, because they had become very interested in agricultural lending, which was needed in Oklahoma. I mean, there were the small, country banks—they did their best to finance everything, crops and cattle and so forth—but not in any really big dollars. So we had a large cattle financing program, and this was at the time when the feedlots started being built in western Oklahoma—very large operations—and we had relationships with the Hitch family, which is a longtime Panhandle family. Oh, some other ones that were really very good. As it turned out, not with those people, but there were some syndicated types of feedlot operations that we got involved in, and had a big fraud case that we ended up in—the classic case of selling the cattle and not paying the bank.

Laughter

But also, the feedlots, in addition to the cattle, you finance a lot of foodstuffs. They eat a lot of food. So we had what was called "____ warehouse receipts"—

third party warehouse company that certified that the inventory was there and so forth. This company was large: it had just been acquired by the Insurance Company of North America, which was the largest company. It ended up in paying our claim, because the cattle and the feed weren't there, and it broke the company. We came out very well. We were all tired of going to court and that sort of thing. I didn't mean to digress into that, but I mean…

MJH: Was agricultural lending maybe the biggest part of your portfolio?

GM: No. The biggest parts probably were dollars lines of credit to large local companies, and also participation in lines of credit to national companies. We had a very active…I'd say that eight out of ten of companies that had multiple location operations around the country would end up banking with the First National. Probably because it was older and better known, you know. And typically, they'd go to their local bank in Chicago or New York or whatever and think, "If we're going to Oklahoma City, where should we go?" And typically they'd say, "Well, the First National is the oldest and the largest, etc., you know."

MJH: Would that fall under the rubric then of correspondent banking?

GM: Correspondent banking typically has to do with deposit relationships with smaller banks around the countryside. It's gone away now, for the most part, because a big part of it was clearing their checks. A bank in Ponca City, for example, has checks written on Oklahoma City, Tulsa, Kansas City, Dallas, wherever, you know, and they would send those checks to their clearing bank, which was either the First National or the Liberty or the banks of Tulsa, depending on where they were located. And that's all done electronically now. Thirty to forty years ago…There are still relationships, but they would be probably limited, for the most part, to larger bonds. The smaller banks still will come to Oklahoma City or Tulsa…A company that needs more than we can lend them, you know, will come and deal with us.

MJH: What are some of your strong memories about the energy boom of the late seventies? What was your loan portfolio looking like? What sort of things did you get yourself into then?

GM: Keep in mind that I was only there for, I think, just short of three years. We were just starting to…we had an energy department. In fact, First National was the first Oklahoma bank—probably, at least, the first Oklahoma City bank, maybe the first in the state—to do reserve based lending. That is basically, you take production in the ground, and lending against it, to enable the borrower to go out and drill more wells. I'd say back in the early fifties…the First National was doing that, and later the Liberty guys did it, and it was not like a lot of lending today—it's…appraised reserves, all kinds of models and forecasts, and so forth. Back then, you tried to get some kind of engineering work, but typically you were kind of betting on the people going to you for borrowing. Kind of what you call the "character category." If you thought he was a capable and honest operator, you know, you allowed that. I don't want to say that's not the best way to do it, because regardless of what you've got as collateral—if the guy's credit don't get to you anyway. That's just of the reverse of that—he may not be a Masters degree or a PhD in petroleum engineering, but he knows how to find and produce oil.

But yes, we started that, and probably—the First National Bank, by the time I left it, was in very good shape. You might say that the reason I left it is that I had another offer to go really get a bank, to be CEO of a bank, in Houston. In addition to hiring a bunch of people, I thought we were capable, at the First National…One of the things I did was make Chuck [Vose] Jr. like the banking business.

Laughter

MJH: You mentioned that he didn't want to be the president.

GM: At that point in time he…I came in, and he got real excited when I started hiring people more his age. He was…I don't know how well…I know you've been around the Vose family, but Chuck is…I'd say that his parents were well into their forties, maybe a little older, when he was born. His sisters were almost a generation older than him.

MJH: We're talking about Chuck Jr.

GM: His sisters—Martha Williams, a lovely lady, and still around, and you may know Rainey, her son…

MJH: I actually graduated from Casady with Alden.

GM: Okay, then Alden still lives here too. And the Kites—Virginia Kite, and her son, Jimmy Kite, he's still here…

MJH: I think he graduated with my brother.

GM: Yes, about like that. But Chuck, see, was quite a bit younger. He would be—I'm going to guess that Rainey is probably, what, 45, maybe 50? So Chuck is probably 52 or 53 now. He was the youngest in the family. He liked real estate, and he liked to do other things. So I kind of see that now, but he ended up liking the banking business. So when I left, he did become president.

MJH: What is he doing now?

GM: Well, the Vose family—we didn't talk about the collapse of the bank—but took a huge financial hit, obviously, because they owned, oh gosh, forty percent, maybe, of the bank? They had very deep pockets, and he really has a diverse investment portfolio. It includes some oil and gas, and quite a bit of real estate. Nobody seems to know much anymore.

The son, Chad, they call him, is kind of a venture capitalist, if you will. One of the things that both Chuck and I did, not together, after the collapse of the bank—in the Southwest, and the s and l thing, really (that's a better way to describe it), in what—early to mid-eighties?—I formed a company with some others and we started buying distressed loans, primarily real estate loans, from the RTC (now the FDIC). Chuck and his son did the same thing. In fact, Chad's first job out of school was to work for the company that (partnership, really) that I formed to buy those assets. He went to school in Dallas and still lives in Dallas, matter of fact.

I am going back to the First National. When I left, the bank was in good shape, and was going strong. Chuck brought in—and this is probably another story, for another time—a guy named Dale Mitchell. Dale and Chuck were friends, and Dale and ____ had moved to New Orleans and worked for an investment bank, a small investment banking firm there, and wanted to come back to Oklahoma City, and that firm wasn't doing well either. Chuck wanted to bring him back, and this was while I was still there, so we brought him back to the trust department…

That's where he [Dale Mitchell] was when I left the bank and went to Houston. Chuck was enamored with Dale, and Dale was a super salesman…He realized that the thing that makes banks grow, you know, are loans, primarily, and deposits related to loans. He put a lot of loans on the books. Most of it turned out to not be very good. Then he left—and I digress, but that's another story—but left the First National to go to Fidelity, and was there less than a year, and brought in a lot of loans to it, and then ended up buying the old Citizens' Bank at 23rd and Classen, and did the same thing to it.

He would resent deeply my description of this, but he's the only guy I know that broke three banks!

First National, Fidelity—and the Fidelity, they were closed, it was acquired by BOK…from the FDIC—and the Citizens.

MJH: Is he still active in the business these days?

GM: Dale was tried and convicted of bank fraud, here in Oklahoma City, and as a result, you know, they caught him, so he can't hold a securities license or he can't work for a bank. Banned from banking…

MJH: What age would he be?

GM: He's probably mid-sixties now. He and Chuck would be about the same age.

MJH: I wonder if this would be a good time to recall some of your experiences in the Penn Square Bank rise and fall…

GM: Interestingly, I went to Houston. And this was during the boom, or certainly the beginning of first oil and gas boom. Of course, the Texas economy was gangbusters; I mean, you could hardly…When I went to Houston, people would buy ground, and the source of repayment was they could keep their interest down and sell off for a profit…That's good if you can pull it off. But you can't assume that. That's not really a realistic source of repayment. Ideally, you have some alternative if you can't sell the land!

The booms make people forget a lot of what they learned. I used to marvel at Mr. Vose. When I was working with him, sometimes he'd say, "Oh, that s.o.b., he wasn't any good back in 1930, and he's not any good now!" *Laughter*. People would say, "That seems awfully severe." But nine times out of ten, he was right.

MJH: And that would have been Mr. Vose, Sr.

GM: Yes, Chuck, Sr.

MJH: So you were actually in Houston when…

GM: I had just come back from Houston when things were just going great. In fact, I had a sense—and this is another story we'll come back to—to become president of what was known as Goldman Enterprises, S.M. Goldman, and that's a whole other story. I came back and had been here about a month—let's see, about six months—I came back in the fall, bought a house, my family was still in Houston…Beep Jennings, whom I had known…called me and said, "Gosh, I'd sure like for you to be on the board of Penn Square."

MJH: And this was in the fall of…

GM: It would have been, probably, in the late fall or maybe even spring of the next year. It closed on the Fourth of July…

MJH: July 4, 1982. So this would have been '81.

GM: It was probably late '81. And I had already agreed to come on the board of the First National, where I had worked and knew a lot of people, and of course knew the Voses. But one of the interesting things that a lot of people don't know is that the second or third largest shareholder of the First National was the Goldman family. He had been on the board early on—you know, this is the supermarket / shopping cart guy—and that was his primary bank. And so as he was retiring, which was kind of a similar deal (which I won't bore you with at this point in time), but one of the reasons I went on the board of the First National as opposed to Penn Square was that part of my responsibility was to look after their investments in various banks. It was consistent to be on the board of the First National. And I was on the board of the First National until…September '84. That's when the Bank of Oklahoma bought the Fidelity. And my experience with the Goldmans was kind of like the Voses—the two sons, they went away, and they weren't going to come back, and they wanted me to run the business. Then when Mr. Goldman retired, and ____, you know—they decided to come back! So I said, "Okay, you don't need me, if you're going to be here, and BOK offered me the CEO of what became Bank of Oklahoma. So I left the board of the First, obviously, and that's when it started falling apart.

MJH: September 1984?

GM: I joined the Bank of Oklahoma in Oklahoma City, and later Fidelity, in September of 1984. As it turned out, although you're not writing about the Fidelity and BOK, but they, in spite of their due diligence (and I thought they were—and they were still a good group of bankers) but they still paid $60 million for a bank that was probably a minus $50 or $60 [million]. Because of the decline—and this is not an excuse, it's just an observation—it was not just the First National and the Fidelity. You know, Texas was worse. It went from the boom, literally, to a bust.

MJH: You say the Fidelity, at the time BOK bought it, was maybe worth, in the hole, $60 million…

GM: I would think so. They probably would resent me…When it was all over with, the way that the Fidelity was rescued was that—the Bank of Oklahoma holding company had two banks, the Tulsa bank and the acquired Oklahoma City bank, formerly Fidelity—and so the FDIC can provide assistance to banks in several ways. Typically, they close the bank and take out the bad assets, you know, and recapitalize, if you will; or they can do what's known as "open bank assistance," which is really rare. But what that means is that they buy, they recapitalize the bank, without closing it, and in this case, required the Bank of Oklahoma's Tulsa bank to be merged into…well, let me say it the other way around: the Bank of Oklahoma in Oklahoma City merged into the Bank of Oklahoma, Tulsa, to have access to its capital, if you will.

MJH: So the one in Tulsa was in much better shape then?

GM: Right. And so it, together with the FDIC buying some stock in the merged banks, was the successor. And then you saw the other day that George Kaiser is the number one Oklahoma rich guy. George ended up—and this is fast forwarded a few years—the FDIC, with the combined banks, were doing well, decided to sell their stock and put it out for bid. And George was the high bidder, and so he ended up buying the FDIC's position. And that's how he became the principal shareholder of the Bank of Oklahoma.

MJH: I didn't know that.

GM: That's probably a whole other story.

MJH: It is, but it's all so related. It's kind of hard to separate them.

GM: Well, you know…it's a little naïve, but literally, a bank or a group of banks are only as good as the economy that they live in. If the economy falls flat, you know—whether it's agriculture, oil and gas, real estate, or all of the above—it's going to have an impact on the banks. Or conversely, if you're in a booming area…Let's take the example of Phoenix. Phoenix was making it, everything was going up, and everybody was moving in, and so forth. It, and Las Vegas, as I recall, have the two most depreciated values of real estate. It's supply and demand. People want to buy things, something goes up, and you might have money to buy…What happens to the economy of the area, the banks are reflected in that…

MJH: When the First National…That closed in the summer of 1986. Let me back up first. You had just moved back to Oklahoma City when Penn Square hit its stride and was growing by ridiculous percentages, and so forth. What are some of your memories, either individually or as you watched this thing unfold, from your new position at the old Fidelity?

GM: Let me back up a little bit. When I was in Houston, I got a call one day from a young man who had worked at the First National in the personal banking department, making car loans. I kind of lost track of him, and he reminded me who he was, and said, "I'm in charge of oil and gas loans at Penn Square Bank." You've read about him in the books—drinking beer out of his boots, and so forth—and he said, "We've got a lot of loans here, and we sure need somebody to take a piece of some of them." And I said, "Well, we're in the oil and gas lending business, and we would certainly look at them, but I'm a little surprised that you've come so far, so fast." He said, "Well, let me send you some deals." He sent two or three deals, and they were at the best, marginal. So we turned him down.

And we had a guy—I knew an oil and gas guy—down in Houston, that would work for Tenneco, and he was a Pennsylvania petroleum engineer, and a really really bright guy. So a couple of months later, I got a call from Beep Jennings, and he said, "You know so-and-so," and I said, "Yeah, I sure do." And he said, "We've been financing, and we've just been doing great. I'd like to bring you down, and let him tell you what he's doing. Cause he needs some help, and we're up to our limit." Jennings was a charming guy, and a very nice guy. And so here he [Bill Patterson] comes, and I put him with my Texas A&M engineer. Generally the way—and it's not good, and doing all kinds of philosophies…But typically, if you're the CEO of a bank, it's fine for you to introduce people to others, but you probably shouldn't sit in on the meetings and drive the deal, if you're going to ask them to tell you what they really think. So typically, I would kind of get started and then excuse myself, and maybe come back once or twice. So I excused myself, and then, maybe ten or fifteen minutes later, my engineer said, "Do you know anything at all about this guy's deal?" And I said, "No, I really don't." And he said, "Well, it's not…What he wants to do is borrow money to drill the well." That would be okay if he had any producing properties that he could pledge to repay the loan, which is typically the way it works—in the oil fields, you borrow money from the banks, and so forth. But he had already hocked everything he had up to his ears, so he [engineer] said, "If we're going to put up all the money to drill the well, maybe we ought to own it." That's somewhat caustic, but true: if you're taking all the risk…"

Laughter

MJH: I understand.

GM: Typically, that's the trade-off: risk and reward, and that's the key business, I guess. The bottom line is—it's kind of like my "selling the real estate to pay the loan" example—what if the well is a dry hole, or a marginal producer? What are you going to do then? And that's what they were doing. They were really betting on the come. And then, too, the price of oil and gas was high then, and it dropped precipitously in the…

MJH: So you were in a position in Houston…

GM: I knew kind of what was going on, you know, but it was much worse than I had realized.

MJH: Was there word on the street about this bank growing like a mushroom up in Oklahoma City—was it sort of in the common conversation?

GM: In the industry, there were a lot of skeptics, let's say. And within Oklahoma City, and certainly at the Liberty Bank (although they had some problems with oil-and-gas loans as well)…And of course everybody knows Chase, and the Chicago banks, and even up in Seattle, you know—they all kind of got sucked into the deal. It was a very, very expensive lesson in the banking industry, and certainly to the regulators. Something like that ought to be a red flag. Since then, if you look at, say, the guy that just got off the Countrywide Mortgage, or whatever, you know—the same kind of deal. Different industry, but you know, he grew from nothing to one of the largest in the country.

MJH: I had my mortgage, among others. How do you think Penn Square Bank got so out of hand?

GM: Well, obviously this is just my opinion, but Jennings was charismatic. He really…And I don't think that he ever intended to defraud anybody. He was never charged with that, even. But he was totally unrealistic. His was probably the most optimistic personality that I have ever known. Everything was always great with him. That's admirable, on the one hand, as long as you don't lose track of reality. And I think he did.

The second thing is, they didn't have the staff. They really didn't. He had absolutely no back-up. He could bring business in, but he had nobody to ride herd on it. That was probably—well, you know, real estate and the RTC are going through the same thing…the same type stuff, and the same regulatory structure, and so forth…

MJH: That might lead us into the second big event in Oklahoma City: the failure of the First. What led to that demise, what were some of the causes, as you saw it, from the vantage point of its competitors?

GM: Probably—and again, this is just my opinion—the most significant thing was that Mr. Vose was sitting there, getting old and tired and so forth, and he had really kind of backed away. Chuck Jr. relied very heavily on Dale Mitchell. Dale probably wasn't as good a salesman as Jennings, but he was a competitor! And it's kind of interesting how word gets out among borrowers, as to which bank is kind of an easy touch, if you will. Certainly Penn Square is in that category, and unfortunately the First National got that way. Not totally, but to some extent.

But Mr. Vose's departure, if you will, from the day-to-day banking role…The salesmanship without the credit judgment of Dale Mitchell was very, very irregular. Another really big factor—and there has been arguments back and forth on this—was that the regulators were hell-bent to close that bank.

MJH: I have read that?

GM: The reason—and this is not, again, my opinion—Mr. Vose was very, very good when he was in the saddle and healthy and so forth. He felt like the regulators were a nuisance. And he'd tell them so.

Laughter

When you're sitting on top and you don't have any problems, you can get away with that. But when you've got problems everywhere, you know, then you have no strength. And they were vindictive. There isn't any doubt about it. They came back in and they said…They require, prior to the…There was a recapitalization…They told him that they would not approve a new CEO that had ever even met Mr. Vose.

MJH: Wow!

GM: They wanted that much separation.

Silence

MJH: That's a dramatic memory.

GM: They ended up hiring a guy that had been president of the American Bankers Association. That tells you something there, because anybody that wants to take the time and trouble to be president of a national trade association can't be minding the shop.

Laughter

MJH: Was that Cairns?

GM: Yes. He was a total failure, as far as the bank was concerned. But there is an argument that, with enough capital, and given time to work out the assets and for the economy to improve, it probably could have been saved. But back then, the mentality of regulators was to close it. And they did.

MJH: Where did your banking career go after 1986? Because you were still at the BOK at that point…

GM: At that point—and then we did the open bank assistance, and really the bank here became a branch, and it is still a branch of Tulsa. They don't advertise it that way, but it's a branch of Tulsa. I couldn't get real excited about being a branch manager, quite frankly! I liked the people, but they ended up requiring a change of management there too. For the regulators, that was just an item on their checklist. When they do something, they like assistance. So there was certainly an element of uncertainly there.

So that was when I formed the RTC company, and got together with a guy named Bill Talley…We ended up being one of the ten largest RTC contractors. The way that worked is, they would close the institution…They would take over the institution and contract out for the management of the assets.

MJH: Were these primarily s&l's?

GM: Yes, the ones that we had, we had an office in Dallas and Houston and here. The largest contract that we had was in San Antonio. The San Antonio Savings Association was the largest s&l entity, and it was making loans all over the country. They were primarily commercial-type loans, some residential, sub-division type financing.

MJH: When was your involvement in the whole s&l debacle?

GM: Again, if you look at it from a macro [perspective], the industry was created to finance houses. And most of them, at one time, were mutuals, meaning that the depositors owned them. And then, most of them started switching over, and then some of them stopped. When the so-called "disintermediation" occurred, they made all these fixed-rate home loans and some commercial loans, and they ended up having to pay almost as much if not more for their money than they were earning in servicing their loans. The regulators, which was the Federal Home Loan Bank, and the insurance, which was the FSLIC (Federal Savings and Loan Insurance Company) said, "What you guys need to do is quit making home loans and go out and make commercial loans. You will get fees, have floating interest rates, and so forth."

From an asset management standpoint, or an asset / liability management standpoint (I know that doesn't make much sense), the knowledge and discipline required to make loans on shopping centers and office buildings and even apartments is totally different than making loans on single-family houses—or the mom-and-pop…And so they started doing stuff that they knew absolutely nothing about. Then again, if a real estate guy—and they're pretty smart—if they find the softest credit in town, that's where they're going to go.

Typically, in Texas—and this is based on the projects that we ended up working out and selling, ultimately—we sold over a billion dollars worth of real estate in our career over several years. Typically, the projects they financed were the last ones up, you know, on the curve, if you will. They didn't do their homework in terms of testing the market, and all that sort of thing, which is what you've got to do. Even financing houses, you've got to do that, you know.

MJH: They might finance a shopping center, not realizing that the economy was tanking and…

GM: Or there were too many shopping centers already—a glut!

I'll never forget, in Austin, we had an office building in downtown Austin…It's what we referred to as a "see-through building"—there were no tenants. Austin is probably the most over built—it's a good town, and a growing town. But they way over built, you know, the office market. The same thing could be true, in some cases, in other communities and shopping centers. Apartments are, in some respects, sort of counter cyclical, because when people are out of jobs and their income is down, and so forth, and they can't keep up their house, they go to an apartment. And they're also interest rate sensitive. When rates are low, you can afford to buy a house. When rates are high, you gotta go rent one.

Again, I would tend to blame the regulating, in part. Their idea was good, but they didn't say, "Hey, you need to find some people who know how to do this."

MJH: You blame the regulators to the extent that they encouraged investors to do something they had no business doing.

GM: There again, I don't mean to condemn the industry. When I was in Houston, we'd see the Canadian banks come down and finance oil and gas properties. I can think of one suburban office building that they financed. It's sort of "the grass is greener…"

MJH: Was this the heyday, too, of Japanese banks?

GM: On the west coast in particular…

Doorbell chimed and obscured interview

George [Records] and I—I have known George since his wife and I went off to school together, and I met him at Casady. He and I were in the same class. I didn't go to Casady. I went to the old Classen High School, as did his wife Nancy. George is one of the

Voices from other room obscured interview. Discussion of high school days and people…

George was one of the…special class…George's class was…

George and I have known each other a long time. When we got together was after the RTC thing was winding down. Our first involvement is, we went out and bought distressed real estate in Colorado and New Mexico from the RTC.

MJH: You worked at MidFirst too, for awhile, didn't you?

GM: Well, the most fun I ever had was at MidFirst. I joined MidFirst in…

Long pause

Let's see…George and Jeff asked me to lunch one day and said, "We've bought some branches from the RTC, and we've organized a bank—we're calling it MidFirst Bank—and it was ___ and ___, and we think we need to put in a commercial lending group. And we want somebody to help us. Would you come on our board and help us put it together?"

Pause

In 1993 I went on the board of MidFirst Bank, and three years later, in '96, right after I had helped develop some policies and so forth and so on, a couple of things happened. First National had closed and been sold two or three times, you know, and everybody who worked there, including your brother, wondered, "Who are we going to work for next?" And then, all of a sudden, the Liberty was sold to Bank One, and so depending on who you talk to…

I'll tell you both sides. For the most part, Oklahomans are—I don't like the word "provincial," but we like to know who we are dealing with, particularly in the banking business—and so we perceived that this was a huge opportunity, because of all the uneasiness that was felt, both by the employees and the customers of the old First National and the old Liberty. And so we started hiring people like crazy. In 1997, I think I hired almost fifty people.

MJH: And this was at MidFirst…

GM: Yes. Keep in mind that this was in a public company. There was no way in hell…because I ruined their payroll. But George and Jeff were all for it too. They said, "This is a unique opportunity. Let's go for it!"

I'll give you a couple of examples. Having been in business awhile, I was very much an advocate that you needed get your back room in order before you start doing things in the front room. Meaning, you needed your operational and your support staff in place. I hired the entire loan operations department from the old First National.

MJH: What were they [the First National Bank] at that point?

GM: It was Boatmen's Bank.

One of the nice things about the First National in particular, the Liberty is very close, is that, in the banking business, there were all of these people in the back room, if you will, you know, that were doing the grunt work. But they were the ones who made it tick. Then you had all these flashy guys that were the loan officers, you know, and they were the salesmen and so forth. They had to be smart guys and so forth, but it takes both. And so I hired the entire credit department and the entire loan operations department of the old First National. And then I hired the head of—Liberty had a commercial lending department that had two areas, and I hired the head of one of the areas. Then he started hiring people. By the end of 1997, we had a commercial banking staff that was superior to anybody's in town. So that was, as I said, the most fun I ever had!

And then we started going after the customers. We hired some people from the First National trust department, which was the old, established trust department, and we started a trust department.

MJH: Who bought Liberty?

GM: Initially, Bank One.

MJH: That's an interesting convergence, because I've gotten to know the Records pretty well in the last couple of years.

GM: George is a very astute businessman. And he was trying to put together a sales group…Were you here at that time? People were nervous. They really were. I can think of one—in fact, I had lunch with him earlier this week. He was a guy, big company, that Alan had handled, Alan Kraft was a guy I hired from Liberty—so Alan and I went to see him, and we said, "We're going to set up this lending department. You know me, and you know Alan, and we'd like for you to come with us." And he was our first customer. I suspect …real estate business…

You may know, and it's no secret, but the Naife family, with Central Liquor Company—…Brad and Dave…They have half the market share in Oklahoma.

MJH: Yes, I understand they have quite a monopoly. Alan Kraft—he would have been a year ahead of me at Casady.

GM: Alan would have been in the class with Boots Hall…

MJH: This has been enlightening. Do you have any futher thoughts, as you look back on your banking career—challenges, opportunities, impressions of federal law…?

GM: The banking business today isn't as much fun as it was, in my opinion, when I was actively involved. You have a lot of interplay with people, and so forth. Today, the way most people come on board a company is with closings, financing… The lenders are, for the most part, order takers. They get all the information together, and so forth, the accounts, I should say. Most banks—and I do it the same way, and that's the way I did it with MidFirst—you have the sales guys, and then you have the credit guys, and they've got to come together to make a deal work. They've both got to approve. The credit guys are the conscience, and the sales guys are the ___. There was a guy that I used to know who talked about what he called "the bicycle analogy": the back wheel makes it work, and the front wheel is the direction. That's what we are talking about.

When I started—and it wasn't just me, but my generation—the loans officers made the decisions and did all the paperwork, and that sort of thing. I went to night law school just so I could second guess the lawyers on the documentation. You can become overwhelmed with…Somebody's gotta say, "This is the way it's going to be." You can overdo it here or overdo it there, you know. Where today, I don't think…It's probably from a…If First National had worked that way, it would still be here. Because they had the super salesman, Mitchell, and his crew out here selling, you know, but they were also approving deals. It takes a balance…

Dealing with the customers—to me, I enjoyed that the most. I've thought about writing a book, you know, more from the experience of customers. Some really, really interesting experiences…I'll tell you one, and don't quote me on this…

Turned off recorder

End