



Oklahoma Bank and Commerce History Project

a program of the Oklahoma Historical Society

**Interview with Steve Plunk
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Former National Bank Examiner
Hightower Building, Oklahoma City, OK, 8/3/2012
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Audio taped and transcribed by MJH**

MJH: It is Friday, August 3, 2012, and I am speaking with Steve Plunk at the Hightower Building in Oklahoma City about his history in Oklahoma banking that started somewhere around Penn Square, or maybe before that. But I will let you tell me your narrative.

SP: Feel free to ask questions, because I might not stay on course. I am originally from Tennessee, and I went to college at the University of Tennessee. Right out of college, I would up at the U.S. Treasury as a national bank examiner. I worked initially in Little Rock, for a couple years, and then in Nashville for three or four years. I transferred to Houston in 1980.

I'll try to reconcile. I joined the OCC in 1972, right out of college. I stayed in Little Rock two years, and Nashville the rest of the time. I transferred to Houston in 1980, which was an entirely different region. There was the old southeast region, which was, as you can imagine, Alabama, Tennessee, Mississippi...and then Texas, which was booming.

Our boss out of Memphis was a gentleman named Cliff Poole, who I will mention again—he had gone to take over the Texas and Oklahoma region. Around...maybe a year or so before, maybe two years, I don't know. I stayed in Houston about, I guess, a year and a half, and that was an interesting time, but Houston was a tough city to live in, and an opportunity came up [to move to] Oklahoma City—same region—and I signed up for it, and got it.

I was assigned the job, I guess, in January 1982. Probably the first bank I examined was Penn Square Bank. In January, right after I had been named as the supervisor, they invited me to their board meeting.

MJH: In January 1982?

SP: I flew up from Houston. My examination would be starting in, maybe, 90 days, and I would be the examiner in charge. It was a very positive board meeting. The management of Penn Square Bank had pretty much said they had addressed all of the concerns. They

would be getting a clean CPA opinion by the time I got there. They were looking forward to getting out from under some administrative action—a memo or something—and they were looking forward to getting off that action. I left thinking, well, this is something I am not going to have to worry about.

Laughter...

Actually, I began work up here before I moved. I commuted until, I guess, around July...Or June, I suppose. But I think we began around March 31. The examination before—the reason I felt good about it, it had been done by a group of examiners that, I guess today, they'd call them “the dream team.” It was headed by the director of operations out of the Dallas office, and he got to hand pick anybody he wanted, from Austin to San Antonio, Dallas, Fort Worth, Houston, to pick his “A Team,” to go in there and find out what was going on, because the bank just had this incredible, rapid growth. It just shot through the roof. I guess people were asking the regulators, “What’s the deal with this Penn Square?”

When I first heard the name, I thought it was probably somewhere in Pennsylvania.

When I came up, I was feeling—I was allotted what was called a 90 mandate, which meant we would have 9 examiners, and we were supposed to be out of there in 10 days. It was supposed to be just quick, in and out, and over, and everything was on course.

One of the things—They didn’t do so much in this region, but you know, we had been grilled to do it...The difference between the Oklahoma and Texas region and the old southeast is just mind boggling in term of tenure. The opportunities were so great out here, the examiners just didn’t stay on long, so the experience level was not that great.

I had the opportunity to work in the southeast with some individuals, who were actually World War II veterans, and they were pretty strict, and they were pretty regimented, and this was the path you follow.

One of those things that you must do always—As soon as you get there, you must get what they call a “daily statement,” which is just a balance sheet. And you familiarize yourself with everything on there. If you don’t know what it is, then you assign someone to go out and find out what it is. That was the first thing I did. I knew I would be looking at most of the loans, most of the larger loans, and I had the Oklahoma City crew to assist, and look at the loans as well.

Going down that balance sheet, I looked at the bank premises, and it was very routine, but I noticed—it was a pre-printed form back then—and I noticed they had typed in something called “other” under bank premises. I didn’t know what that was. I knew they were building a high-rise building, the new Penn Square Tower, but I thought they had done that outside the bank, which was partnership interest, and so forth. I had one of the individuals who worked with me, I met with him, and we went over several things, and I

was looking at that account, and I said, “Find out what that is.” I said, “Here’s that building, and they don’t have a crew to build a building like that, to bring that on their balance sheet.”

Two days later, he came back, and he said, “I found out what that is. It’s *interest*.”

And I said, “Well, what do you mean, interest?”

He said, “Well, you know, they sell all these participations, and so forth, and sometimes the borrower doesn’t have enough money to pay the interest, to the upstream bank, so Penn Square pays that interest.”

Nervous laughter...

So I said, “Well, Bob, can you find out who those people are?”

He came back with a list of the individuals, and they were pretty much the core people at Penn Square—the directors, Swans, Allens, Richards... Basically, those loans were past due, and they were past due for a substantial period.

I was alarmed by that. And then I began to look at some of those loans. I picked some of the major credits, the directors. Although they would show huge net worth, it was all a shell. It was in this company, that would claim resources, and that company would claim resources. But if you chase down the components of their net worth, they really...

I think it was the second week I was in there, I called Cliff Poole, and I told him that I thought the bank was insolvent. I explained to him about the interest account, and I explained to him that I had been through these major borrowers, and their loans could not pay, and could not be exploited. I guess...

The whole process to me was just full of luck.

Laughter...

I was very fortunate. I probably had the only boss that could understand. He was an actual field examiner, before he became involved in administration. He was one of the few that were at that time. Not only that, his father was a bank examiner. It was just... I look back, and I think about how important that conversation was. And it lasted, probably, just 5 minutes. But he understood it immediately. And he said, “Okay, I’ll alert the Washington office, and I’ll get something going.”

MJH: When you say Washington office, that was the comptroller of the currency?

SP: Comptroller of the currency.

And I guess the ball was in motion. It just spiraled from that point on. There was some doubt. I guess it was very unusual, because I came from Tennessee, and (quote) “I did not have any oil and gas experience.” I had looked at some of the energy departments in Houston, when I was down there, but I never thought of myself as an oil-and-gas man. That was pointed out to me at Penn Square, when I started questioning. A lot of them said, “This guy from Tennessee, he doesn’t understand oil and gas.” I wasn’t trying to be a smart-ass, but I was trying to make a serious point, but it came across like I was kind of a smart-ass.

I said, “I don’t have to understand oil and gas. *You* have to understand banking.”

What I meant by that was, if you cannot support your credit memos and loan proposals in committee, to your executive management, and to the board of directors—if it cannot be explained to them, then it does not need to be here. That was my reasoning, and I think that’s valid reasoning. If you have people sending millions of dollars out the door, and your executive management and board of directors do not understand it, and they say it’s just this big black box—oil and gas—that’s unsafe and unsound.

MJH: The oil and gas division has been described as kind of an independent fiefdom.

SP: I’d say that’s right. And looking back, I guess one of the luckiest—I think I was lucky having Cliff Poole that understood that immediately. I think I was also very lucky in that I was 31 years old. I had a very narrow focus. I had been trained very well by those old guys in Tennessee and Alabama. I understood credit. I understood credit, I understood solid sheets...I had actually seen a bank closed in Chattanooga, which no one out here had ever seen a bank run. I had a very narrow focus. All I needed to know was, did they have more bad loans than they had capital. And I kept that narrow focus, and that was probably the most fortunate thing during that whole review. I didn’t ponder the repercussions of what it was going to do to the world, or what it was going to do to [Federal Reserve Chairman Paul] Volcker, and his plan. It was just, do they have more bad loans than they had capital? And I was convinced they did.

MJH: As you got closer to July, did you find push back from officers of the bank?

PL: What I usually find, when you start questioning those loan officers, they would say, “Wait and talk to Bill.” Bill Patterson was gone a lot.

I guess, with me being in that bank, coming from another state, not being versed in oil and gas, and then making the early allegations that I did, that was probably upsetting. But early on, one of the senior executives came up, and said, “Steve, I know you haven’t seen a lot of oil and gas loans. What you do is, you take whatever is in the pool, and whatever half of that total is, you half it.”

I said, “I don’t know that that’s right, Preston.”

Laughter...

If these people have got all this wealth in these oil and gas reserves, then why aren't they paying their interest? Why aren't they carrying their overdrafts? I never really... I guess that was kind of practice: If you can get into that equation and feel comfortable with it, then you were ready to go. I was not trained that way. I was trained to look at every bill and see how it was going to get paid, and make sure you've got that secured.

Another thing that bothered me was the engineer who generated those reports reported to Bill Patterson. So, you know, he could sit at his computer, or whatever, and generate any kind of values he wanted. When I first went there, they had me meet with their engineer, and I guess that was supposed to make me comfortable, but it made me feel less comfortable.

He was a very unorthodox guy, and he just made a lot of blue-sky assertions. We had lunch, and it was at a Mexican restaurant, and I remember he took his beer, and he had an iced mug, and took the whole bottle and just turned it upside down, and then let the bottle drain, and then he pulled the bottle out!

Laughter...

He was an unusual guy. But I didn't get a lot of comfort. I met with the officers, and the officers would basically say, "Wait and talk to Bill." I went to their management... They had just brought in a chief credit officer, and they brought in a new president, Eldon Beller. And they told me the same thing: "Talk to Bill."

There are a lot of unusual stories. Eldon Beller was the new president. He had a good reputation at First National Bank. I remember confronting him about that upstream interest account. He didn't know anything about it. He said, "I don't know. I'm going to get to the bottom of this." And then I asked one of the crew, I said, "Go pull the interest. I want to see the interest." They had little ole debit and credit slips; back then, it was done manually. And he did. He pulled a sample of them. And they had Eldon's initials on them. So I went over there and said, "Eldon, these have your initials on them!" And he said the funniest thing. He said, "Just because they have my initials on them doesn't mean I approved them. It merely means they came across my desk." And I thought, I've never heard that before!

Laughter...

I don't know that he didn't look at them very hard. They were all looking at that energy department because it was making so much money, and they never really did question it. And I guess Bill Patterson was always able to handle it or deflect any kind of question.

But I couldn't really get a lot of information out of the officers. Either they didn't know, or they didn't want to do report anything without talking to Bill. And I finally got Bill

Patterson to sit down. And I had several loans to review with him. I could not keep him focused. He would jump up on the couch, and point at a map of Oklahoma, and tell me how many oil and gas reserves there were.

At one point, he threatened me. He told me that, through his contacts at Continental Illinois, he could get me fired. He said, "I can call them, and they can get you fired."

It wasn't the first time that had happened to me, in my career. But I said, "Aside from that, Bill, how is this loan going to pay?"

I went in there with a stack of loans to talk to him about, and I don't know that I got off the first one. It was two or three hours. He made himself inaccessible. All the officers were inaccessible. I met with my crew, and I said, "Get what you can from the files, and from what you know. Let's make a call from what you know. If they want to come back and find you, then okay, but let's not spend any more time, following them around, and asking them to please sit down and answer questions. If they don't want to defend their own... Don't mess with them. Don't spend any more time.

At that time, it was beginning to spiral out of control. A reporter from the *American Banker* was making a lot of noise—Phil Zweig. I never met him, but I think he was probably pretty good. I think he was pretty accurate on some stuff. I could not talk to him. I was under a gag order. All that stuff was confidential. He was having almost a daily article in the *American Banker*.

Outside of Cliff Poole, I don't know that I had a great deal of support from the Dallas office. The guys that selected the "Dream Team"... And they had a huge reconciliation problem. I think, first of all, they wanted, maybe, to discredit what I found, but the dead rats kept floating to the top of the punch bowl.

And the thing about the interest: no one could refute that. It was very uncomfortable to them. They would first like to say, "Well, this guy doesn't understand oil and gas lending. We'll come up there and straighten him out." And then, they couldn't. When somebody can't pay and is substantially past due and overdrawn, they can't defend it.

That was at least an embarrassment to them, and possibly more. They just didn't want that blowing up on them—not after they had sent the Dream Team in. The deputy who I worked with initially, when things started rolling—he had to be recused. He actually had—and I don't remember the details—he actually had a partnership interest in one of the drilling companies that had a loan. He had to be recused. The other deputy came in...

I just remember it kind of being a mad house. They wanted to change my staff in the bank. They said, "You need help. And we're going to send this guy in to do this, and this guy in to do this..." And I said, "I did not ask for that. I don't need help. We understand the loans, and we can do it." Then they said [to me], "You can do that, but I won't sign the report. You own it, from that point forward."

MJH: During the episode with Clifton Poole, down in Dallas, was supporting you?

SP: I knew I always had him there, but then, he was one guy in charge, and he had all these other people, and his staff and everything, and they were saying, “Old Plunk is up there, and he probably needs some help.”

Well, I didn’t need help, and I didn’t need...What was it Einstein said? If you keep doing the same thing, and expect a different result, that’s insanity?

Laughter...

I didn’t see where they could add any value, and I did not want to lose control. I knew how serious that would be. I called my crew, and I told them—it wasn’t a big crew—and I told them, “Do not say anything, do not do anything, unless you want to read about it in the *Washington Post*.” We kept a lid on it. We called the main shots. They did ask, first, because I had these numbers, they said, “We want peer review of your classifications, and your ratings of these loans.” The manager would do that, and I said, “I don’t want them.” So I named the people out of Houston that I had worked with, and that I had a personal relationship with. They came up. There were, like, 5 or 7, and they basically said, “If you did anything wrong, you were not overly critical.” So they corroborated my findings.

By that time, the whole world knew. The participant banks—Continental Illinois, Chase, Seafirst...A funny story about Seafirst—and they failed over this—was that Cliff Poole did call their regional administrator in San Francisco. And he instructed Mr. Poole, he said, “I want you to know, I have had some of my best examiners up there, and that bank is fine. You take care of Oklahoma, and we’ll take care of the West Coast.”

Laughter...

We’ve got it covered out here, cowboy!

And then they cratered. I then had to go to Washington a few times, because it was really getting out of hand. And the Washington office was afraid, in my opinion, they were afraid to confront those people. They said, “We can’t move on those things. You’ve got to send a team in there, and you’ve got to verify. Every one of these classifications, you’ve got to verify. Every one of these collateral exceptions... You just can’t do that!”

I couldn’t understand that. And it was just pretty obvious.

MJH: They were afraid to confront the big banks?

SP: They were afraid of the big banks. They said, “You’ve got to... You’ve got to explain this to them.” They even had some kind of privilege... You know, a bank examination is very confidential. They asked for some waiver, and I don’t know how they did it, but they

could include the top five banks, the participants, call them in and tell them about this. They were hoping those five banks would say, “Don’t worry. We’ll stand by with collateral and save [Penn Square Bank].” That’s what they were hoping. The banks just took that as an early top off, sending crews in there, and getting everything they could.

MJH: A last-minute grab!

SP: What can you get? What can you protect? I mean, they were just totally worthless.

MJH: So it failed on the Fourth of July weekend.

SP: Failed on the 5th.

MJH: I guess that’s when Clifton Poole called Todd Conover for the scripted closure.

SP: Actually, it was just kind of a death watch during the last week or ten days. I don’t know. I don’t know what was going on, but I am told that the comptroller, Todd Conover, and the chairman of the FDIC, Mr. Isaac, wanted to close the bank. Volcker was saying “no.” Apparently Volcker had this... Volcker was going to whip inflation with interest rates. People kept telling him that it would destroy banking. But Volcker was so powerful, that Conover and Isaac really couldn’t handle him. Two on one—they couldn’t handle him. To make that thing happen, they had to bring in the secretary of the treasury, [Donald] Regan. And Regan said, “Close the bank.”

Anyway, they told me... Back then, we had telex, and a script, with these questions. It was kind of like a wedding. “I do. Yes... Yes...”

Laughter...

That was it. I still have that. I have that telex, in my briefcase. I actually have my draft copy of that report.

MJH: Hang onto that! Actually, and this is a little bit of an aside, but if you do have valuable papers like that, there are a lot of collections at the [Oklahoma] Historical Society. They are preserved and stored in storage boxes, they are cataloged and in a temperature controlled room.

SP: I probably should do something. It is secure. Thirty years ago, nobody cared. I have thought about a university. I think it probably belongs somewhere like that. I never thought about the [Oklahoma] Historical Society.

MJH: People tend not to, but I can tell you, I have spent hours down there. That’s actually where Phil Zweig donated his research collection a couple of years ago. And I spent two weeks plowing through it. He was not terribly organized. But, anything I wanted was in those boxes: clippings; annual reports; board meeting minutes. If you want to think about it...

SP: I need to do something. It belongs to the [Oklahoma Historical] Society or a university.

MJH: I can put you in touch with the archivist. He's a terrific archivist.

SP: I have an old Smith Corona. I know it was 30 years ago. You cannot believe how technology has advanced. It's just incredible No computers anywhere. No PCs...

Small talk about technology...

MJH: I'd like to follow your career a little bit more. Did you go from being a bank examiner to Liberty?

SP: I did. The bank closed. At any given time, for the next five years—five or six...I will say, comptroller's office out of Washington, every time I was subpoenaed, they would send legal staff down to represent me, even when I was at Liberty Bank, and I was so grateful for that. I always had top-notch representation. I was very fortunate in that—we sensed the magnitude of the problem, and we prepared for it, and we didn't have a lot of fall-out. I was deposed two days, initially, and it went fine. I went to the courthouse about four times. I didn't lose any skin in it.

I was with the OCC. I would have stayed. I was scheduled to get married in July.

MJH: Good timing!

Laughter...

SP: I was scheduled to get married. And I got married that October. And I stayed with the OCC, probably, a couple of years. Terrible things started happening in Oklahoma and Texas. I was in Houston on a project, and I came home every other weekend. My wife flew down on intervening weekends, because we were working late. I'd come back to my room, and on the credenza was a bottle of Champaign, and some...

Laughter...

I started looking to get off the road. I interviewed at the First National Bank. I had to examine that bank. I actually had to put that bank on the problem list. But I did believe in the people. I didn't see that bank failing. I saw them having problems.

MJH: [Pointing to portrait in conference room of MJH's great grandfather, Frank P. Johnson]: He's the guy who founded First National [Bank].

SP: I talked to them, and I talked to Liberty Bank. I was flying back from Houston, and I had this interview with Fred Moses, who was—I don't know if he was president of the bank, at that time...Do you remember Fred, or know of him?

MJH: I know the name.

SP: He was somebody you need to know about. I know a lot of Fred stories. I remember flying back, and I was going to interview on a Friday afternoon, I was going to interview with them, go do an airport interview and then go home. I was reading the paper, and I was reading—what do you call that, astrology?—and I looked down there, and it said, “You are going to meet some very interesting people who will teach you a lot of things!

Laughter...

I have used that in a few speeches, especially at Liberty, and it is so true!

I go to meet Fred, and he was highly charismatic. That bank had just been put under formal [agreement?], and they needed someone to help them get off. Fred—I reported directly to Fred, I headed credit administration and loan review, and did general analytical work, I guess at Liberty that was my focus, problem identification and resolution—but Fred was an interesting person. He was from near Pittsburgh, I think, and his father was Lebanese, and his mother was German.

It’s kind of interesting, how they intersected my life. An examiner who influenced me so much, and the other reason, his name was Arania (?), and he was kind of the dean of the examiners...

Things really went bad in a hurry. Energy was bad, but real estate was worse. At that point, there were like, 15 to 20 banks, in Oklahoma and Texas, that were over a billion dollars in assets.

MJH: This would have been in about, 1986?

SP: ’84, ’85, ’86. All have failed, except two: Liberty Bank; and ____ Frost.

Everybody likes to take credit, but I would represent that, probably, Fred, had more to do with saving Liberty Bank. If you knew him, he was incredibly brilliant, number one. And he had that charisma, and forceful personality. A lot of times, people say things, and the wind blows away their words before they can find hearers. But Fred, when he said something, it was right, and it stuck.

When I first joined Liberty, there were energy problems. They had a huge correspondent bank portfolio. It was well over \$200 million in loans. And I reviewed that, and I looked at it, and I said, “Fred, there are some things that are a disaster.” They had bank stock loans everywhere. And within that first year—and I could not have done this, and Fed was solidly behind me—we moved over a \$100 million loans, out of that department, primarily to Fidelity. Those guys in the co-bank area, I guess they would have liked to have caught me in their gun sights!

Laughter...

They went to Fidelity. It's just like a player from another team, in the playbook. He joins a new team, and he says, "I know their plays." I knew which banks were bad. I got them out of there, before they failed. You know, Fidelity took them. And Fidelity failed.

MJH: So Fidelity took what you considered to be bad loans...

SP: All I could get out of there. There was a time there when Fred had a stroke. There were a couple of deals I couldn't move out. We ended up moving money on all three banks in Cordell, and we lost money on the big bank in Enid. Fred won that. Fred could sit down at that management committee and...

Fred knew very early, and probably before anybody else, that this was a very serious situation, and that this was kind of a life or death thing. He built a war [chest]. Our reserve was like, \$17 million, at that point, and he'd clean up most banks, during good times, it was like, okay. We had a good credit card portfolio, that we built from the ground up. I remember when Fred sold that for \$20-something million. And he got something else. I can't remember what that was. And we posted a \$27 million loss. And Fred built the war chest of \$65 million. He took on the directors, and said, "We need this! This is our war chest. We are either going to live or die by this."

I guess, another reason was, we knew what the problems were. We had the staff that could identify the problems and risk and handicap them. I don't know that a lot of those banks did.

MJH: And Liberty closed in '84? Sorry, I mean Fidelity.

SP: Fidelity didn't close. They were bought by BOK. And BOK closed them. They bought themselves some problems.

MJH: Why did Fidelity take on all these loans that you all deemed [bad]?

SP: They thought they were good. If a bank has capital, \$5 million...it's a good deal. A guy named Dale Mitchell ran Fidelity at that time.

MJH: He had been at First National.

SP: Yes.

MJH: I interviewed Gerald Marshall, great guy.

SP: He's very bright.

MJH: And he said, “Dale Mitchell is the only guy I know who broke three banks.” Something to that effect.

SP: Dale—I met him just once, at Citizens Bank. He was very condescending. He’d say, “I have to explain to you people what capital was...” I didn’t say anything, but I thought, “You need to probably know what it is, because you could use some of it!”

Laughter...

MJH: So, how long were you at Liberty?

SP: I was there throughout, until they sold to Bank One, in 1997. I went up—this would have been 1990—to be president of First National Bank, and I stayed there for three years. The bank was consolidated. Fred was gone, and another individual, Bill Bell, was there when Fred was sick. And then Fred eventually—too many battles, or something, against the board, but he left. He didn’t get to see the fruits of his labor. The board kind of...He wasn’t a favorite with the board. Nobody likes being told that their children can’t sing. Fred was blunt. Bell was pretty much the same. He was a little bit smoother. Bill Bell did a tremendous job, too. I just can’t say enough about him.

MJH: Did you take kind of a leave of absence from Liberty.

SP: I was working with Liberty. I did have an illness. Liberty...We could see out, and we could see the pipeline shutting off. This would have been around 1987 or 1988. We could see it ending. We had our problems, but could we get them solved.

Number one, I got sick. I had been sick for years, but didn’t really know it. I was in one of these problem asset committee meetings, and I had seen my doctor the day before, and he ran some tests. But these problem asset committee [meetings], they lasted forever. But my secretary—the secretary in that area, who usually didn’t disturb us—she came and got me out of there, and said, “You need to take this call.” It was my doctor, and he said, “I wanted you to know that I have admitted you to Baptist Hospital.”

Laughter...

I had kidney failure. So I had to go into dialysis immediately. This would have been in 1988. I got a transplant in ’88. I did take a 90-day leave of absence. I had to stay home and wear a mask. But I came back.

I don’t know what all you are going to write about. You probably won’t include a lot about medicine in Oklahoma, but if you are going to get sick, this is about the best place you can be. I didn’t know anything about it, but the surgeon—he was pretty incredible. He’s one of the best in the nation: Scott Samara. There’s that Lebanese connection. The problems that I had, and the main guy was very accredited...

Digression in SP's medical experience...Lebanese connection...further digression in Vietnamese community in OKC

Another big event in 1988 was that Admiral Kirkpatrick put in...He led the group. He met with Walt Helmerich in Stroud, and convinced Walt to help him do a capital drive of \$72 million. That \$72 million didn't save the day, but it sent one Hell of a message! It's like John Paul Jones: Everybody thought he was defeated, and he said, "I haven't started fighting yet!" It had that kind of an impact. Admiral Kirkpatrick clearly didn't understand—I don't think he fully understood...He just thought, "Liberty is an Oklahoma institution, and my father-in-law put money in it, to save it, in the 1930s, and now it's my turn." And he did it.

MJH: That was 1988. And you were with Liberty.

SP: Yes, I was with Liberty, and that capital came in, and we started turning. But the examiners—and this was the OCC—and these were people, and the agency, that I loved so much—but they were very harsh. They pretty much wanted to close it. They would just as soon we would go away. The OCC made some of the most ridiculous calls. They charged off a loan secured by PepsiCo stock. It was part of a troubled relationship. But that particular loan was secured by PepsiCo stock. They said, "We don't care." And some of the interpretations they had on appraisals...Basically, we just could not defend an appraisal to them. We started a program whereby we wrote those—we wrote off those loans. All of them! As a group, we'd set up a special reserve for OREO (?), and we were going to write them off, over like a 5 to 7 year period. We told them, "You cannot argue that it is worth less than zero." And they backed off. Then, 2 or 3 years into the process, they came back and said, "You guys are..."

MJH: Why do you think they were so harsh?

SP: They were just that way. They closed that First National Bank. I don't know, but the bank out of California that bought that bank made a fortune collecting—charging off—debt. They recovered so much. But I don't know. They just had that attitude. Basically, it didn't matter what kind of analysis or appraisal you'd put in front of them. They basically said, "It's worth what we say it's worth."

I think it probably hurt them, that, number one, we were turning the corner. It hurt them when John Kirkpatrick, Admiral Kirkpatrick, put that capital in. And then we got off that list. And then, when we sold out to Bank One, for a big gain, or whatever, it probably had to make their heads explode.

MJH: They were just bound and determined to close it?

SP: And they did close so many! They closed so many banks around here! Some of them might have made it. But they were so harsh in closing the banks, and they were so harsh on the banks that were surviving, that they switched charters.

When I came to Oklahoma City, they needed more staffing. We had 12 people, and it was hard for me to get it up the 15 or 16. But at that time, they had 40-some people on staff. And then all the banks started closing, and everybody started switching to state charters. Those examiners had to pack up and move to places like San Francisco or Charlotte, where they couldn't go in and bully people like they could out here.

MJH: I had much the same conversation with John Massey down in Durant. And he was saying something similar, that were probably lots of banks that didn't need to be closed, but these guys just had them in their crosshairs, and that's what they were going to do.

SP: I think that's probably true. I was an examiner, and I was very aggressive. I forced the issue on asset quality as hard as anybody I know, but I never tried to get punitive. It was not my goal to close a bank. It was my goal to save it. And that's what their job should have been.

Like I say, I had some incredible training when I came on, back in Tennessee, and some of the exposure they gave me over there. I owe that agency so much, but then I think they were wrong

MJH: Nobody would know better than you, having been on the inside.

SP: They have made some mistakes, and they don't necessarily try to save them, unless it's a big bank. Then, they're probably scared. I think the big banks pretty much control all of our dealings at this point.

MJH: What is your position now?

SP: Back in 1997, Bank One bought us. You've met George Kaiser. George Kaiser is an incredible business man. He turned out to be a Hell of a banker, too, but on top of that, he is just a remarkable business man. When he bought BOK, I was president of First Tulsa. He was a customer of First Tulsa, and we advanced—he had a line [of credit], and we advanced part of that purchase. I had to explain that down here in Oklahoma City, and I said, "He had the line!"

I said, "He's a good business man, and if he doesn't make it, he's got resources to bail out if the bank blows up!" I caught a lot of crap over that!

MJH: You've been in the hot seat in all kinds of ways, haven't you?

SP: Well, yes. But anyway...George Kaiser. He met with the chairman down here, who was not Bill Bell at that time. Basically, he said he thought it would be a good idea to merge the banks, and they would [be complimentary]. Which was absolutely true. But, there wasn't any doubt that Kaiser would be the main person after that. He would be chairman, and he couldn't live with that. He kind of blew him off. And Kaiser did—there's an industry term, they call it a "bear hug." Have you ever heard of that?

MJH: Not in this context.

SP: It's a prelude to a hostile takeover. Liberty sent a certified letter to all the directors, and he sent one to the human resources director, who takes care of the employees, stock owners... And he said, "This is the offer, and it's a good offer." And he put the bank in play. If you didn't want to deal with Kaiser, you had to go find somebody, and they found Bank One.

MJH: Bank One didn't own them [Liberty] that long, did it?

SP: About 5 or 6 years. They came in 1997, and Bank One was actually bought by Chase [Bank]. One of the investors was Mr. Kirkpatrick, from 1988, with his [investment]. Walt Helmerich found a guy named Bob Para (sp?). I don't know if you've heard that name, the Para Fund? He was from South America, and he just loved Oklahoma, and he was just a breath of fresh air to come down, and talk, and he always encouraged us. He, probably more than anyone else, was responsible for... He said he would invest, but he wanted the management group to be tied together. We got options, severance pay. I was great. Performance contracts. The very minute that Bank One announced the acquisition, I, along with the rest of the group, was terminated.

Bank One came in and negotiated one-year retentions with us. All of our options and severance, and all those years of starving without a pay raise... We got a pretty good deal, and I just said, I'm going to start doing what I am doing now. I'm going to start my own business. I thought I was going to half-way retire.

Laughter...

I loved living in Tulsa, and I'm just going to half-way retire, and maybe do a little consulting. And that's what I'm doing now, only I'm working harder than I have ever worked. And I love it! I just love... I guess that's one of the things I am fortunate in, in that I love what I do. You have to read a lot of files. And every file that I pick up is a short story with a riddle. And I don't get tired of reading them. I have been reading them for 40 years. It's just like reading short stories and novels to me.

People think to grade credit, or to evaluate credit, is just tedious and analytical, and you've got to understand all these questions. But basically it's a story. And there's an older guy down in Nashville, John _____, he was one of the best interviewers I have ever seen. And he'd take notes. And he had such an intuition. He got the story. And then he hung all the other data and stuff on it. The longer I do this, the more I find myself liking it. I have to do math and analysis of each statement. But that hangs onto the story. If it's a loan proposal or a credit memo, and if it does not tell a story, and if you cannot understand what's going on—why the parties are doing this, and what else to do—then you don't give the credit.

MJH: It's like a novel with a convoluted plot you can't follow.
So you have your own consulting company?

SP: Yes. I'm 62 this year. I remember how old that used to sound, but I don't want to quit. I just don't want to quit! I am really very fortunate. I have had a good life, I have had a good income. I love Tennessee—pretty state—but I would never go back. This is my home. The only time I think about Tennessee is during football season. My children are Okies, and I am an Okie too.

MJH: It's been good to have you. This is hugely valuable.

End