

AN ORAL HISTORY

with

GEORGE A. SCHLOEGEL

This is an interview for the Mississippi Oral History Program of The University of Southern Mississippi. The interview is with George A. Schloegel and is taking place on August 14, 2008. The interviewer is James Pat Smith.

Smith: This is an interview with George Schloegel, the President of Hancock Bank in Gulfport, Mississippi. Hancock Bank does business across the Gulf region from Florida to Texas, or Louisiana. Mr. Schloegel is a respected leader in the community, and this interview mainly concerns Katrina and the aftermath of Katrina. It's August 14, 2008. The interview is conducted by James Pat Smith of the USM [The University of Southern Mississippi] —History faculty. Mr. Schloegel, could you state your name and spell it?

Schloegel: My name is George Schloegel, S-C-H-L-O-E-G-E-L. I live at 800 Commerce Street in Gulfport, Mississippi. I'm a lifelong resident; actually, six generations on the Mississippi Gulf Coast.

Smith: And your spouse's name?

Schloegel: My spouse's name is Peggy; she's former Peggy Harry, also of the Mississippi Gulf Coast, same situation, multi-generations.

Smith: And could you state your birth date?

Schloegel: I was born on June 17, 1940, here in Gulfport.

Smith: Does your wife allow you to state her birth date?

Schloegel: And she was born on August 7—excuse me, I'm thinking August right now. She was born on March 7, 1942.

Smith: And could you talk a little bit about your educational background, going back to the earliest school you remember attending?

Schloegel: Oh, I started school in the first grade at St. John's Elementary.

Smith: In Gulfport?

Schloegel: In Gulfport, Mississippi, came through the St. John's program and then went to public school starting in seventh grade, but I did flip over to St. Stanislaus in the eighth grade, back to public school for the ninth through the twelfth grade in Gulfport. I went to Perkinston Junior College, as it was called at that time, for my freshman year, while working at the bank part time. I had started at the bank in high school as a runner and mail room operator for a dollar an hour, and was working my wage through college. Heard about LSU [Louisiana State University] and of them opening some branches in different parts of the state, one of those being in New Orleans. Was able to get me a job working for the Whitney Bank on the night crew, so I then moved to Louisiana and entered LSUNO [Louisiana State University of New Orleans] as a sophomore after transferring from Perk [Perkinston], and I finished that with a BS degree in the first graduating class of that school, now called the University of New Orleans [UNO]. I've done extensive postgraduate work in various places, all in the field of banking and have certificates in graduate work, and special courses from Ball State University, Columbia University, two different schools at Harvard, and also Northwestern, and then I went to the graduate school of banking at LSU and graduated there in 1979. I've continued to serve on their faculty, after being a student, to the present time and I've also been on the faculty of the Mississippi School of Banking for about thirty-eight years.

Smith: Very good. I guess we just listed your major occupations, too.

Schloegel: Yes, I'm a banker.

Smith: You're a banker, and you've pretty much—your career's been either here at Hancock or at Whitney?

Schloegel: Right. Actually, it's been here the whole time; Whitney and Hancock have been like partner banks for so many years, and I was able to just transfer over to the Whitney and get some training and work on their night crew, kind of on leave of absence from Hancock. So, I've really been here for fifty-two years with that three-year period spending at Whitney while I was going to college at LSUNO.

Smith: Did you tell me you had an undergraduate minor in history?

Schloegel: Yes, I finished with about 168 hours because, you know, while I was in school I'd take a lot of electives, and so I have a minor in history; my major was in general business. I've got minors in economics, finance, and have one in science, as well as accounting. I did not want to take that last accounting course to give me a major because then I would've probably been compelled to be an accountant and I don't think I'm an accountant.

Smith: Very good. Did you serve in the US Military?

Schloegel: Yes, I—that’s a little bit of a long story, but after the Korean Conflict, in which M Company in Gulfport had been mobilized to go fight in, the guys who came back from Korea were trying to get active National Guard units, which was not easy because so many of them had gotten killed over there. So, they were a little bit loose about who they would take in. I was thirteen at the time in the Boy Scouts and the National Guard was a better program (laughs), so I went down to see if I couldn’t join the National Guard. And I got tripped up a little bit; I was a little too young and I didn’t know the ropes, and so I got rejected. So I waited a few months until they had to change of personnel; by that time I was fourteen and I knew how to do it and I got in. And so I joined the US Army National Guard at age fourteen and served eight years with them. Got pretty serious about it, but at fourteen we were mobilized to go fight in Formosa when we had the conflict between mainland China and the island. That was a scary situation, but as it turned out we trained at Fort McClendon, Alabama, and never did have to go and fight, which was a great thing for me not having to go over. Eisenhower had called us and we were ready to go, but at any rate, I didn’t go. I stayed in the National Guard. I became a sergeant at age fifteen and qualified to be a second lieutenant at age sixteen. But about that time, the hierarchy and the local organization pulled me aside and said, “To be a commissioned officer in the Army, you had to have a sanction by Congress, and they weren’t willing to let that happen.” So they said, “You just hold on until you get a little bit older and we’ll let you have that second lieutenant position.” So I never did become an officer because of that. By the time I was twenty-two, I was through with my eight years, and I also graduated from college, and so that was the end of my eight years and a great experience.

Smith: And do you mind sharing your religious affiliation?

Schloegel: I’m Roman Catholic; I have been all my life. That’s multigenerational; I come from immigrant grandparents. My maternal grandparents came from Sicily, both of Catholic faith, immigrated into New Orleans; and then my paternal great grandparents came from Germany, my great grandfather, and he also was Roman Catholic, and they came in, again, through New Orleans. It happened later that my grandfather—my two grandfathers immigrated over toward the Mississippi Gulf Coast, both in agriculture; one in crop farming in Long Beach and the other one in a blacksmith shop in Gulfport. And their children met and married; and my mother and father had seven children of which I was the baby.

Smith: And what was your father’s name?

Schloegel: My father’s name was Joe, Joseph Anthony Schloegel.

Smith: And what, do you know his date of birth?

Schloegel: He was born in 1897.

Smith: In New Orleans?

Schloegel: In New Orleans. And my mother is Nancy Bertucci, B-E-R-T-U-C-C-I; she was born in 1899, also in New Orleans.

Smith: And could you list your children's names and approximate ages or year of birth?

Schloegel: Yeah, I have four grown children. The eldest is Matthew, who is forty-eight. Next comes Melissa, who's married to Andrew Marion, who came along two years later, is forty-six. Then, Mark Leonard two years after that, so, making him forty-four. And then, eleven years later, Michael Joseph who came in 1975 and is now, what, thirty-two.

Smith: And could you talk a little bit, just briefly, about the kind of work that your father did?

Schloegel: Yes, my father—as I mentioned his father was a blacksmith and he learned the blacksmith trade, he—he was active in a number of fields. Worked at one time for Gulfport Traction Company, which became the Mississippi Power Company, drove a streetcar for the Gulfport Traction Company industry carline that ran from Pass Christian to Biloxi. Proposed to my mother in the Biloxi Lighthouse; quite an event for us. My dad, also, was very active in farming. His dad did some farming, a head dairy farmer in cattle and crop farming, as well as chickens. By the time I came along, he had moved from working at the Gulfport Traction Company which operated buses by that time, instead of streetcars, to full time in farming. And had a farm, which we still own on 28th Street in Gulfport, north of the Seabee Base. Did crop farming, as well as chickens. So, we had a poultry operation in the early days with caged chickens, which was part of our heritage to have to get that poultry ready to go to market on Friday mornings before going to school, or peddling the vegetables, literally. And I started working for my dad peddling vegetables actually about the same time I started going to school at St. John's in Gulfport, and had a route from Gulfport to Long Beach. Went door-to-door selling the vegetables and eggs; did that until my dad died when I was fourteen years of age. When he died from a heart attack, that put an end to the crop situation, and so I needed additional work. And a little time after that there was an opening in the bank. I had been working in the Jitney Jungle Grocery Store packing groceries after school and on Saturday making forty cents an hour, but with Dad gone, Mom and I needed a little bit more money than forty cents an hour. And an opening came in the bank for somebody to put out the mail in the afternoon in a part-time situation and I was lucky enough that the bank hired me. And I started in 1956 at a dollar an hour and had intended to—had an appointment to West Point from Congressman Carmer, and with a National Guard background and that US Army service, I figured that was a pretty good avenue to go to get an education. That would be the way I could pay for that education, but when I got the job in the bank, I liked it real, real well and decided that might be a better vehicle. And the opportunity there at Perk presented itself for me to get a good education for a

very limited amount of money, and I decided that I would stay in the banking and have done so.

Smith: You've had numerous awards and you're involved in almost every civic organization on the Coast at one time or another, I think. Let's think about the Katrina week. Could you just talk a little bit about, in your position, your awareness of that storm and what you had to do personally with your family, and then what a big organization like Hancock Bank has to do to get ready for a big hurricane like Katrina?

Schloegel: That's a pretty comprehensive question. First, let me say that banking is mandated by Congress but also is mandated internally by common sense, has to have a safety system for maintaining its records and for protecting its customer base. We commonly call that disaster recovery. In disaster recovery we have backup plans for our computer operations center where once or twice a year, depending on the situation, we go off with our records and test those records in a remote center to make sure that they're working and that we've maintained all of our records. We do backups each night when we run our records and put them on separate tapes so that if something were to happen with an explosion or something like that, we would not lose our data. So, we're constantly in preparation for a disaster. When a hurricane approaches, which is the most pending danger that a bank on the Gulf Coast would have, we take tremendous preliminary steps. As soon as the hurricane enters the Gulf, we begin to activate, by code, certain systems that we put in place, not knowing where the hurricane's going to go in. We operate branches along the Coast in Florida, Alabama, Mississippi and Louisiana, so we're a pretty good size target. This is a very expensive process that involves full-time people who work around the clock, twelve months a year, in preparation for *any* kind of disaster.

Smith: How many buildings, how many sites do you operate in?

Schloegel: About 160; different locations.

Smith: So that's a pretty large—

Schloegel: Yeah.

Smith: —dilemma for you.

Schloegel: A large footprint, large footprint. And a chemical spill could do the same thing as a hurricane, so we're prepared, we think, for just about anything or we thought we were when Katrina came in. This is not our first rodeo, either, we've been doing this all along. We've had different smaller storms in different places through the years that have tested our system. Our system of test is, number one, to protect our people who work here and their families, to make sure that those who have to evacuate can do so and get out of town, and so forth, but also keep a connection to those people so that we can communicate and find out where they are before, during, and after the

storm. And folks in this interview can't see this, but I'll show you that we've got a communications card right here that has a 1-800 number on it. If for any reason anybody in the bank has to leave or even if they are local, one of the things they do, after the fact, is they call into this number—and I'll explain a little bit about that as we go through on some things we learned out of Katrina—to say, “This is Pat Smith. I have left town and I'm in Laurel, Mississippi, and I'm OK and my family's fine, and I'll be back to work in two days.” That way we are able to keep up with every single employee. I mention, I'll say a little something different, this was a watch line into this area; telephones didn't work after Hurricane Katrina, so now this watch line is located in the Midwest, so we have found that we have to protect ourselves a little bit. In addition to that, we've got the preparation prior to the storm coming in and you never know exactly where it's going to hit, so we have to safeguard our buildings. We have a crew that does that. Some of those buildings are located along the beachfront, some are inland, depending on where they are we have to safeguard them; we did all that prior to Katrina.

Smith: Now, where we're sitting right now on the seventh floor of the Hancock Bank Building in Gulfport is probably, what, a thousand yards from the harbor?

Schloegel: Right.

Smith: We can see the water.

Schloegel: You can see the water; its very beautiful. It looks real, real nice. It's just as calm as it can be, but boy when it gets roaring it can be a mean, mean rascal.

Smith: Well, this building looks like a fortress on the outside, so—

Schloegel: Yeah, we thought it was.

Smith: —what do you think you have to do to protect a building like this?

Schloegel: To protect a building like this, we make sure that all openings are well secured and we sandbag on the first level for any rising water. That's what we've done in the past. And we take all equipment away from the windows, in case a window gets broken. We wrap up all of our equipment in polyethylene so that if a window does break, it doesn't get wet; so forth and so on. On those branches which are ground level like Bay St. Louis, Pass Christian, Biloxi, Gulfport, we board up with batting boards and plywood, and we remove everything off the ground floor and so forth. Again, it depends on the severity of the storm and how much preparation time we have. In Camille in 1969, the storm really wasn't imminent until about noon of the day that it hit, and it hit that night about eleven o'clock, so we didn't have a lot of preparation time.

Smith: That was like a Sunday Camille hit.

Schloegel: That was a Sunday. And in this particular case with Katrina, while we did not realize the severity of the storm, we could see that we were going to, we were pretty well going to get hit because it was so big; it was actually about 125 miles wide. We were going to get hit someplace, but particularly along the Coast, so we boarded up and evacuated a lot of things. But this building that we're in right now in downtown Gulfport was our central headquarters where we had our—where we rode the storm out ready for a disaster. We do lots of things. We've got to have food. We've got to have water. We've got to have backup power. We have to put additional fuel in the generators; they run the emergency generators so that we have temporary power. We have to secure the vaults. We've got to do just—it's thousands of things that we have to do to be ready. But the big thing is to protect our people and our records. In this case, we saw the impending threat on Saturday, we flew out our backup records, and we hunkered down waiting to see where it might would hit.

Smith: Where do your records go?

Schloegel: In this case, they were going to Chicago and Atlanta; we had dual backups. And we flew those out, meaning that we flew out employees who accompanied those records. In a couple of cases, those employees' families needed to evacuate because of where they live, so we flew their families out with them and put them in hotels in Atlanta and in Chicago. An employee can't work for you if they're concerned about their family, and so taking care of their family is just as important as taking care of the employee, so in that case we had men and their wives and children that were deployed. We have an alert system that we use as soon as a storm gets in the Gulf, and that alert is to activate about sixty to seventy people who have key positions in this process with a telephone conference call. So, let's just use a hypothetical and say that there was a hurricane in the Gulf, and today is Thursday and we're at ten o'clock in the morning; we would put an alert out that we're concerned about a storm that exists in the Gulf and so we want to talk to everybody today at three o'clock to find out what they're doing to position themselves to go into the next mode of preparation. All of us have a watts conference call number that we call in, and this is exactly what we did prior to Katrina. So, say we'd call at three o'clock and the first thing at three o'clock is we would take an inventory of who all's on the line to make sure that we're talking to everybody that we need to talk to. And that would be from Louisiana, Mississippi, Alabama and Florida, some inland, Hattiesburg for instance. Anybody that's in a key position among those sixty to seventy people that would be on the line would report in. We got a process where we say, "OK, have you accounted for everyone that's on the line?" And if somebody can't be on the line, they've got a responsibility to have a backup that's on the line. So that puts us in tune with one subject; there's a storm in the Gulf, what's the next step? First thing we do is we get the most up-to-date meteorological information, and we have that under contract. We also coordinate very closely with Mississippi Power Company for the same meteorological information they have. And so we update everybody and we try not to deal with any rumors; we try to deal strictly with facts because hype gets very important at this point. If, for instance, we had that call at three o'clock today and the meteorological report said that it was most likely that the storm was going to come in

at Fairhope, Alabama, we would begin to take a little more severe steps in the Fairhope area than we would in the inland spots, but all of us would know Fairhope looks like it's our target. If the storm were two days out, we'd say, "OK, everybody get kind of prepared for the Fairhope area and maybe a hundred miles east and west of that, and let's talk again tonight at midnight" or whatever time we have a scheduled meteorological update. And we continue to do that cycle. As the storm gets closer and closer, the intervening time between telephone calls gets closer and closer, so that if we get to where we're within six hours of the storm coming on land, we may be talking with that conference call as frequently as hourly. During that period of time—let's say again it was Fairhope with one day out, if we thought that was pretty severe, we would begin to do the things that we need to do to secure the physical property and to move any of the people who are in the Fairhope area that needed to evacuate because of potential of rising water—and during that period of time we run from a central headquarters, which we have changed since Katrina based on what we learned, but some of those people might say, "Well, I don't have anyplace to go," well, at that point on the line we'll say, "All right, you bring your family and you come to so and so" and we'd take care of them and their families. It varies a little bit because you don't know these storms, how big they're going to be and when they're going to hit, just what the situation is, and also you don't know what mandate you have on you by Civil Service—I mean Civil Defense, excuse me. For instance, when a storm's coming into Harrison County, Mississippi, it's likely that we'd have mandatory evacuation for all areas south of Interstate 10, which is five miles inland. Now, a mandatory evacuation of everything south of I-10 is a big, big step. And keep in mind that as people begin to do that evacuation, they have needs. I'm talking about people meaning customers and non-customers, as well.

Smith: They've got to get some cash.

Schloegel: They've got to have money; they've got to have cash money. And so we have a motto at Hancock Bank that we are the last bank to close before a storm hits and we're the first one to open after the storm subsides; that's not public relations, that's just basic facts where the public has to have money and a commercial bank becomes a vehicle for them to get that money. So, we have a crew that is prepared for that. And we don't ask a young lady to stay in the teller's cage if she lives in an area that is due to be flooded; we'd move her on out and get her protected but we have somebody who lives in an area or maybe is stationed in one of our key spots that is safer who will keep that thing open *literally* to the last minute we can before we move out of town.

Smith: So, so you've taken all these precautionary steps and you're trying to manage your operations during the storm from this building in downtown Gulfport.

Schloegel: That was what we did during Katrina.

Smith: Well, what was going on inside the building, what were you-all—

Schloegel: Well—

Smith: —you had a good view—

Schloegel: Yeah, you can see the situation.

Smith: —what did you see?

Schloegel: You see a lot of panic. You see a tremendous number of rumors, and rumors scare people. You see us shutting down and just, quite frankly, a physical evacuation of the area. Maybe just you and I look out this window, we see the port with the ships; all the ships have to go back to sea and all the products on that port need to be evacuated so they're out of harm's way. Trucks back and forth getting all these 18-wheelers inland and safe; they move some of the 18-wheelers in front of buildings so that they provide a shield from the wind. It's a well-honed system that Civil Defense has in operation and we have full cooperation with the Civil Defense to accommodate that. We went about this in Katrina, and I'll switch back to that one as we begin to come in. You've got to keep in mind, too, that if a person is working for you and they have to maintain the opening of that bank as long as possible, they also have personal needs at home to secure their family and their homes and so forth. In some cases, those individuals abandon their home and they move their family, their wives and their husbands and their children, into this building and we're prepared for that, and that's what they did. Leo Seal who is chairman of our bank, eighty-four years old, lives on the beach in Bay St. Louis; it was pretty obvious Katrina was going to be pretty bad for Bay St. Louis, Leo Seal moved into this building for the personal safety. Obviously, at eight-four we didn't have a lot of personal responsibilities that he had for the bank, but we were concerned about his well being, so we moved him in here. He pulled his car in and lived in this building, as did a number of our crew. Some of us had responsibilities at home. In my particular case, I have a pretty large, old family home, and my family with four children and their ten children were spread out up and down the Mississippi Gulf Coast, one of them living in Ocean Springs in an area to low for a storm. First thing for them to do is to pack up their goods and move into our house, which is thirty feet above sea level, so I had twenty-eight people in my home. I have friends who live on the beach. The beach is not a place to be during a storm. And they know that when the storm's coming, they move to my house; they've been doing that for years and they will continue to do it in future storms. They know that's where they will evacuate to. Say, "Well, don't you live south of I-10, why don't you evacuate?" Well, that's kind of one for the history books, Pat. I've never left during a storm and I don't ever plan to leave during a storm. I live in a house that was built in the 1840s, it's thirty feet above sea level, it's seen an awful lot of storms in those years, I feel completely safe in that house and it's a haven for people who don't evacuate that are close to me who can come in. As I said, I had twenty-eight that came in. Would I do that again? Absolutely. There's certain things that you can do during a storm to protect your property, but the big thing is I'm close to the bank by being where I am and I'm able to get to the bank very quickly after the storm, and so I can react. If I evacuated and went to Madison

County, Mississippi, I may not be able to get back home for a week or two; I can't do that, I need to be back here. And our team needs to be back here. So, some folks would say, you know, "That's ludicrous to stay in harm's way." I don't really think of it in harm's way, I think there's more danger to evacuating, in my case, than it would be to stay. So that's a decision we've made. Some of my children that have small children, in this particular case one of them had a baby that was just a few months old, when we saw that the hurricane was going to actually hit here in the area where we live, they had an evacuation spot that was further to the east and inland, and because they had the small baby, we told them "Go" and they went, which was fine. That was safer for them because they did have a place to go, but many people don't have a place to go after a storm and they get isolated in an automobile stuck someplace on the interstate a hundred miles inland, that can be worse than the storm. So, no science to this; it's just what you feel. But if you're a native and you live here every day, you learn where to build your house, how to build your house, where to evacuate from, where the high spots are, how to get out of the normal flood zones, and so that's the reason a lot of folks don't evacuate. But be that as it may, we thought we were pretty well prepared. In fact, I had an incident where one of my daughter-in-law's sister lives in North Carolina and she happened to live on the same street with somebody who worked for FOX News. On Sunday night about ten o'clock on the night that Katrina came ashore, we got a telephone call from this member of our family, our extended family, and she said that, "FOX News would like to talk to you tonight on their closing show." I said, "About what?" They said, "Well, I understand you're staying in your house, correct?" Said, "Stayed there during Hurricane Camille in 1969, right?" "Yep." "Well, they want to talk to you when they close out the show; they want to have an eye-witness view of somebody who was there in Camille to see how that compares to Katrina." "Fine, have them call." Well, I didn't put much stock in that, but about 11:30 that night the telephone rang, and the guy calls from FOX News and says, "Is this George Schloegel?" "Yes." Said, "Do you live in so and so?" "Yes, yes, yes." He said, "Well, tell me, you've got a hurricane coming in and you're going to ride it out. Why are you riding it out?" Same story, you know, "We're protected. We've got twenty-eight people here and we think we're in pretty good shape." "Well, I understand you rode out Camille?" "Yes, I did." "Same place?" "Yes." "Well, give us a comparison." And here in my great wisdom I said, "Well, I was here during Camille and I'm here during Katrina, and this doesn't look like a Camille to me." (laughs) How little did I know.

Smith: This is on Sunday night before the storm—

Schloegel: This was Sunday night.

Smith: —really got up on Monday morning.

Schloegel: But it was the same time that in 1969 that Camille was coming through with this great force.

Smith: Camille was in its intensity on Sunday evening.

Schloegel: Yeah, and so it didn't have that force. In fact, Camille had, some say recorded winds were about 227 miles an hour. Katrina had winds probably about 150; big difference. But Katrina was the perfect storm and it wasn't the force of the winds as much as it was the size, the velocity, and the surge of water that did not come in as strong in Camille. And also, Camille was a smaller storm; it was in and out of here in about three hours. Katrina lasted for about thirteen hours; so, big difference, big, big, big difference. But we didn't know that at the time. Like I say, dumb me, this is not a Camille. Anyway, we closed out the news and then went to bed. We had secured everything we knew how to secure at the bank to get ready. Obviously, we had forces in Louisiana and Alabama and in Florida, as well as our remotes in Chicago and Atlanta prepared for the Gulf Coast to get a pretty hard hit. And we had been communicating, as I mentioned to you, with our group every so many minutes by that time of how we're doing, and that communication continued during the storm. So even though I was at home, I'm literally at the bank by telephone.

Smith: You had cell phones working, too?

Schloegel: Cell phones and landlines at that time until, boom, the landlines go out, and then, boom, the cell phones go out because cell phone towers got knocked down; so then we were out of communications. And the storm blew, and blew, and blew, and blew, and—pretty tough; pretty tough situation. The Back Bay water got up to the edge of my house and I'm thirty feet above sea level. And it blew all the next morning and all up until about noon of the next day, and we were wondering, "How long is this monster going to be here?" And I took my family out, and opened a door on the leeward side of the wind and let them look out, and to tell them, "What you're seeing may not ever repeat itself again, but if it's ever been here once, it could be here twice, so look at where that water is and make sure you don't ever build anything where that water is." It was incredible; no question.

Smith: This is in the Hansboro area.

Schloegel: In the Hansboro area.

Smith: Bayou Bernard.

Schloegel: Right, the Back Bay of Biloxi comes up through a tributary in Bayou Bernard and Brickyard Bayou, and that was literally right up to my house, and it's scary.

Smith: But normal times, what kind of—are you, what, a quarter mile from the—

Schloegel: About a quarter of a mile, thirty-three feet above sea level, you know. It's unbelievable.

Smith: That's quite a distance; you wouldn't normally see the water from your house.

Schloegel: Well, I'm on the backwater, so I can see it if I go upstairs, but it's off in the distance, we slope down to it. And had been there during Camille, and Camille got about halfway up to the house as opposed to all the way up. So, I realized "we got a really tough situation here." But we were all safe, you know, just lost the roof on the house but that's normal when you have a hurricane. It wasn't like getting washed away like living on the beach. And if you're on the beach, you've got that surge of water that's pounding in with the surf; that's a whole different, *whole* different situation. And no one that I have any contact with would I allow to stay on the beach during the storm, you know, I tell them to come pack them into the house; that's just not a place to be. Wind, yeah, we take wind pretty good, but water, no. But back to the story on the bank. So, we're out of communications, literally, and you safeguard everybody and you catch water if you can. You had to hold the doors or the windows and put up plywood where something broke off, and do that kind of thing. At least we weren't underwater like other people. I mean for us, we were literally safe compared to other people. There wasn't any hanging in trees while water was knocking you down or that sort of thing; so we were in pretty good shape. Well, finally the wind begins to subside a little bit and the water begins to go out. All right, what do you do at that point? Well, the first thing you do is—before the storm you already checked to see who's staying in the neighborhood; go check on your neighbors. Some are elderly, some have small children, so you know if a house is vacated and you also know if one is occupied. So the first thing out is to do a quick assessment and make sure no debris is flying in the wind that's going to cut somebody, and that sort of thing. Check on the neighbors as quickly as you can to find out is anybody injured; if they are injured, do what you need to do. If part of the house got knocked over and they are not safe to stay in there, then come on, bring them into the house with you. You know, you do—that's the way America works; you go to neighbor to neighbor and make sure everybody's safe, particularly the elderly. And people are scared after that; no communication, as I said. Then as soon as you have that, you know—in my case, turn to my wife and my children and say, "OK, y'all look like everybody's OK, we know what we've got, go check on so and so in the next neighborhood and make sure they're OK, and so forth, I'm going to the bank. Be back soon as I can." And so you load up and you head to the bank.

Smith: And so then late Monday afternoon?

Schloegel: Yeah. How bad is the situation? I've got to get back to the control center to find out what all went on because we don't have very good communications. So we get here and find that a tornado had hit the main office, this our fortress, and the storm is a hundred times worse than any of us conceived and the beachfront is literally wiped out even worse than Camille had been.

Smith: Which pathway did you take coming in?

Schloegel: I came in on Pass Road.

Smith: What did you see on Pass Road?

Schloegel: Debris everywhere. In fact, you couldn't drive all the way. One of the good things we have after the storm, very good things is that the National Guard and Civil Defense immediately cleared some roadways as best they can, and we had passes to get here and so just not coming down for tourism, but couldn't get all the way here. Forget north on Highway 49 or 25th Avenue in Gulfport and get within walking distance of the bank, and walk that additional distance. And could see that there was tremendous, tremendous damage and piles and piles of debris. Couldn't get to the beach; that was out of the question coming in from the north. Got here, found that the building had been—it was standing, but it had been ravaged because a tornado took the top off of the building and it was drenched all the way down, and the big walls of our computer center were compromised and blown out by the wind, so all of that was exposed. But that was physical; we weren't worried about that. What we were worried about was our people, and our people couldn't operate from here. So, got here, made sure that we did not have any injuries and all, and maybe make this statement a couple of times, with 2,000 employees, we did not have a single person with a drop of blood. Incredible, for a storm that bad and no one physically injured.

Smith: Is that 2,000 employees across the whole—

Schloegel: Total, yeah.

Smith: —Florida to Louisiana?

Schloegel: And this being the headquarters where most of them are.

Smith: Right.

Schloegel: I mean that was an incredible statistic.

Smith: So people stayed here with the windows blown out; that's the first thing that I remember about downtown Gulfport is at a distance seeing windows blown out on the bank.

Schloegel: Yeah.

Smith: And nobody was hurt?

Schloegel: Nobody, which was just absolutely incredible, but a lot of folks had lost a lot of things. We had about 200 employees who lost their homes. So, immediately we say, "Are you safe? What do you need?" That's our deal. And then what can we do to get open? This is where we drove our electronic system for our automated teller machines which should be operating outside of the hurricane zone, and we couldn't support those because we didn't have the power from our computer here to do that and

the remote wouldn't do. We just never assumed that this building, four stories tall with our computer center, would be down, but it was.

(Disk 2)

Schloegel: We have backup generators to run the electricity and so forth and so on, but all of that was wiped out, it knocked down and we were just, we were devastated. Be that as it may, we did an assessment. We needed to be open in the other areas because those areas support this area and we need to find all of our people. And the storm was just so much worse than any of us thought, but we put our motions in place and accounted for our folks. That's our first thing; account for our folks. So, we had the intent that the following day we had to open the next day and we were open on Monday in the remote facilities but we had to be open Tuesday everywhere we could. And people needed cash, particularly after this storm because it was so much worse than we thought. We own a building right across the street from the Courthouse—which was the headquarters of Civil Defense—we use as a training center outside of this building. That building was not damaged. It didn't have services but it was at least a place that we could go. So we moved from this building to that building, which is about four blocks inland from the beach, and set up an operation with temporary generators and flashlights, and so forth, and just moved from this building, since it was devastated, to that building and got going as best we could. Our first objective then was to get every bank opened, that we can open and to have an assessment of every bank. And at the same time, we have a whole committee of people find our people. Where are they? Is anyone hurt? Does anybody have any needs? A major task. But we had people who walked up, and when I was sitting here after the wind went down, we had a lady that walked up to downtown Gulfport and I was sitting right outside the building trying to see what we were going to do about moving out of here, and she walked up in ragtag fashion with some cutoffs and a shirt. And I knew where she lived; she lived close to the beach. And she came up, of course, crying. We hugged; did that sort of thing. And she was alive. And I said, "Do you have anything left?" And she said, "Just what I got on my back. But I'm here, what do you need me to do to get us back in operation?" That was quite a caress, I tell you, to have a person who lost everything they had and her concern was to get to the bank, she was a supervisor, to find out what she could do to help her fellow employees. That was the spirit that we saw throughout the storm and after the storm that is like nothing I've ever seen in my life. I had an opportunity to go talk on disaster recovery to banking associations throughout the country in the last three years. And my opening statement is "Hurricane Katrina is the most positive experience I have ever had in my life." And people say, "Positive?" "*Positive* because it brought out the good in humanity and it showed us how vulnerable we are to Mother Nature, and how little *things* mean. Things don't mean anything, you know, they could be gone in the next winds. But its relationships and dedication from people that makes the difference. And that's what we learned out of this storm. We learned— if you equate the greatest generation in the stories of World War II, tremendous book [*The Greatest Generation*], but tremendous philosophy about Americans will come together and do what it takes, no matter what. Forget political parties, forget political affiliation, forget socio-economic differences,

and so forth, people join hands and they help each other. And that's what came out of this storm and that's what I saw with that young lady walking in, and I thought, "Wow." But, at any rate, we do the plan and we make things happen, and we began to do just that, operating from our little center across from the Civil Defense. Obviously, a lot of people do a lot of things at that time based on need.

Smith: About how many employees actually work in this building? This is an office building, so you have other companies operating here.

Schloegel: Other companies. Oh, we probably have a thousand people.

Smith: A thousand people?

Schloegel: Total.

Smith: So you tried to move that operation into—

Schloegel: Not all of those are our employees, but we had other people that lost things, too.

Smith: Yeah.

Schloegel: But our employees in this building, probably 400.

Smith: Four hundred, so you're trying to move that operation—

Schloegel: Yeah.

Smith: —into a much reduced floor space.

Schloegel: Yeah. Now, many of them have evacuated but we've got to get operating. And so, and we—and you do it with flashlights and folding tables, and you do a quick assessment, but you've got to serve the public. That's important. People—You take the young lady that walked up, suppose that was a customer who's lost everything and what she would say to the bank is, "Can I get some cash?" And it may not be a customer, just a person. "You're a bank, can I get some cash?" Well, anyway, we set up our program which we already had. We have a manual for all of this; never did open the manual because none of that applied, (laughter) but we have a manual for that. But we do know what we're doing and people have different roles. I mean you almost have a czar at that time and everything's different. You're in a police state. You have National Guard. You have *incredible* assistance from the utility companies who are coming in to try to get power reestablished. And being right across from the Civil [Defense] operation there with Joe Spragens, there was a lot of coordination taking place at the courthouse, we were right across from that, and it worked out pretty well because the bank could help as part of *his* recovery process with himself and the board of supervisors, the mayors and the governor, and so forth. And Haley Barbour

was on the ground there with us. We all operated in the same little two-block area. Food was available by the various agencies that were bringing in food because people who did come to work had to eat. At any rate, it was pandemonium, but the spirit of the people is what really stands out. We did an assessment, and we realized we had to get banks open. We had to get power to them and so forth. We went remote. We had a crew that we had in operations headed by Shane Loper that flew, had flown in prior to the storm to Atlanta and was operating from Atlanta, which was safe. We normally would expect the Federal Reserve System Branch in New Orleans to provide us with cash, but the Federal Reserve System in New Orleans was underwater and so there was going to be no cash. Our ATMs that house a lot of cash were, in some cases, under twenty, thirty feet of water and so that was a mess, but we did have some operations going. So, what we did was we said, "OK, we want to open at least one facility in every community that's been hit by the storm so that people had access to cash." And we opened those, again, with flashlights and folding tables. Let's take for instance in Pass Christian and in Waveland; both building wiped out completely. We had a couple of repossessed mobile homes, Winnebago types, so we cleaned them up as best we could, put some water in them, got the cash that we could, got some of our folks with Security, and we're carrying shotguns or pistols, or whatever, because the police department was already pretty busy, they don't have time to help you with that. And we literally drove those units into Waveland and to Pass Christian, and got as close as we could to the branch, put folding tables out in front because there was no electricity other than a generator and didn't want to run that too much because you didn't know when you were going to be able to get power, and put up signs and said, "We're open for business."

Smith: Now, normally when you step into a bank that does checking accounts, you'll present a check or request cash and the teller's got a computer screen, and she's, I presume, making sure that you can back that check as best as she knows. And it's all very smooth.

Schloegel: That's under normal conditions, as you said. You don't have any of that after a storm.

Smith: So, we're back to 1890s—

Schloegel: That's right.

Smith: —where I'm looking at you and maybe I won't know till two o'clock this afternoon whether you've got the money or not to back that check. I'm just sort of taking you by who you are. Is that an accurate description?

Schloegel: That's absolutely accurate. And as I told you, rumors get going. In our operations center that we had, the temporary operations center, we got the folks together and it was OK then. We were going to divide up; certain people are going to do certain things. Here's what we're going to do on cash: use your judgment and anybody that has a need for cash that looks like they're halfway identifiable, whether

they're our customers or not, give them \$200. If they need more than that for some reason, assess the situation and do what you can, but don't let anybody leave out of there with a big wad of cash because that's dangerous for the individual because law enforcement was not able to give them protection and you hear some bad stories about people getting robbed after a storm because there's also rascals that take advantage of this, but basically \$200. Well, some of the radios were operating, I guess, on some kind of battery-powered operation and the word got out in the rumor mill, which is bad, that you could go to Hancock Bank and they can give you \$200. (laughter) OK. We had some lines as much as two and three city blocks long outside the building of folks coming up saying, "I want my \$200." But that's what you had to deal with, rumors. That was not what we were after. We were not—we were—that wasn't what we were doing. Our big thing was to help people on an immediate basis. Now, let's say, suppose Pat Smith had lost his home and had held onto a tree, and when he got out of the tree and the water went down, all you had on was the rags that didn't get blown off your body, you didn't have any checks, they went down with your house and you may have had a wallet, and you may have had some plastic in your wallet, but you may not have had. You certainly weren't dressed like you are right now in a coat and tie, and so forth, I mean you literally had rags on your body and you knew you had to get going as best you could, and you needed to be able to just get a few bucks if it was nothing more than the ability to be able to put \$20 worth of gas in your car so you could drive to Hattiesburg to find a place of abode for the next couple of days. So you walk up to the bank and if one of us knew you, great, but if we didn't know you, you know, you said this is my situation. So, we made a conscious decision that we'd help anybody that walked up and had any credibility at all, and give them a minimum of \$200. Well, there was no check for the \$200; so what we would do is if you walked up there you'd say, "I need \$200 and I'm Pat Smith." And we'd say, "Take this piece of paper here," and probably it was wet, "and write down Pat Smith, your address, \$200, and we threw it in a cardboard box." It wasn't processed, it wasn't a microcode.

Smith: No computer codes.

Schloegel: It was nothing. It was a paper IOU; that's really all it was.

Smith: Old-fashioned banking; real old fashioned.

Schloegel: Real old fashioned, before even the checks. We had, we probably had three and a half million dollars worth of pieces of paper like that. It was in the cardboard box that we couldn't do anything with. And if Pat Smith never came back, you know, that's just the way it was. Boy, isn't that an expense, yeah, three and a half million dollars after you've lost everything you've lost in the damage and then you've got those kind of losses.

Smith: So the bank essentially—this is kind of a relief program—the bank essentially took a three and a half million dollar hit on IOUs that you couldn't link up to a checking account later on.

Schloegel: That's correct. And many—in fact, you might've walked up and said, “I bank with another bank but they're not open, and you're the only one I've got and I've got to get out of town, I've got to take my family, I got a hospital, I got this, I got that.” And this is why I'm telling you this is the most positive experience in my lifetime. If we got to that cardboard box today to retrieve those pieces of paper, there's less than \$200,000 left in that box of unidentified.

Smith: So people have made good their IOUs?

Schloegel: Absolutely. When they came back home, they came back in here and said, “Here, I'm paying you that \$200,” or, “Here's a check,” or, here's whatever. And a lot of them were not our customers. In the five months following the storm, as the people began to come back, we opened 13,000 new accounts of folks that said, “You were there when I needed you, you're going to be my bank.” Now, we didn't do it for that reason, but it tells you if you do the right thing, good things happen, plain and simple. We had been in business at Hancock Bank since 1899. The increase in our deposits, our total footings of our deposits, how much we had grown in five months following the storm was the same amount that the bank had grown in its first ninety-five years of doing business. It grew a billion and a half dollars; 13,000 new accounts.

Smith: Do you think that's the new accounts or is it insurance and—

Schloegel: Oh no, the total deposits had to do with a lot of other money but the new accounts were individuals.

Smith: So you got 13,000 individual new accounts.

Schloegel: And we did other things. And, look, other banks did the same thing if they could, you know, ones that could get on their feet, so don't—this is not about Hancock Bank, this is about the banking community serving the public.

Smith: In the bottom three counties—well, you have banks in Louisiana, you have Slidell—

Schloegel: Yeah.

Smith: —that you had to worry about, too.

Schloegel: Oh yeah, they were wiped out in New Orleans.

Smith: In New Orleans. Do you have any idea in that severe Katrina impact zone what your customer base was before the storm, what percentage increase does that 13,000 represent?

Schloegel: I don't know the answer to that number, but it's phenomenal. Let me just say again, we grew as much as we had grown in the first ninety-five years of doing business. And we did some other things. We have a close relationship with American Red Cross because of previous disasters. American Red Cross needed to disburse vouchers to the public. We became the dispersing agent. So, instead of them having to set up offices every place that they could get in various communities, they gave us the vouchers at Hancock Bank and so anybody, anywhere could go to Hancock Bank and get their voucher and negotiate it and turn that voucher into cash. And they put—and the American Red Cross put the money in the bank to substantiate those vouchers. So we became a distribution center. That's part of Civil Defense is what it amounts to. Again, you're not doing this commercially; you're doing it because that's what you have to do. You become almost a quasi-governmental organization. In New Orleans where the levee broke and they had the flood, and the water sat for days, we have one branch that—on Veterans Highway in Clearview, it's a big branch, much, much larger than we actually needed for the amount of business that we had there, but we had a whole string of—we had five teller cages in that branch, which is a pretty good size branch. And we were able to get back in operation; temporarily with flashlights and so forth, but we were able to get operations. Some of the other banks had lost their buildings, were still flooded and couldn't get in operation, so we went to those individual banks and we said, "Look, come take one of our teller cages," so we actually had five banks operating in our one bank building and each one of us had a teller's cage. The bank examiners came in and liked to went berserk because there's no law that provides for that, and our instructions to them were, "Look, we've got a lot of things to do right now; we don't need regulators telling us what's right and what's wrong, we'll sort it out later. But in the meantime, five banks are open." And as each one of those were able to move out of that teller cage into their facility, they did that. Am I telling you this to say that, you know, good old Hancock Bank did something great? No, I mean that's just neighbors helping neighbors, that's all. It has nothing to do with competition. But I'm saying to you that the general public will reward you if you do the right things, and they have. Those are the kind of steps that we needed to take after the storm. Now, because of the rumors about us giving away \$200 to everybody that's almost like the voucher program, we had people who came and took advantage of the situation. For instance, with 160 locations we were open a lot of places and we were giving out money. We had one individual who was a criminal and he went from branch to branch getting \$200 in each spot, and he—after all of this subsided and we were aware of what the situation was, he got to spend some time in jail. And we did prosecute because we felt like we needed to prosecute him; he was taking advantage of the public. But for every one situation like that, I'll tell you there were 10,000 where it was people helping people. So you do have some rascals and you do have some exposure, and we did lose a couple of hundred thousand dollars, but so be it, you know. The way our people responded, our people meaning our employees, responded to helping out—because we may have somebody who normally would be making loans—well, there weren't a lot of loans being made at that time, so their job was to fix sandwiches and feed those people who had something else they had to do, or to carry water or to go find fuel, or whatever. We made arrangements with the Atlanta Federal Reserve to move thirty million dollars in cash to the Gulf

Coast in a way that normally you would say is a pretty big risk, but yeah it was risky, but we did what we needed to do because we had to be the Federal Reserve. And we had somebody in Atlanta that could get that money here and we got it here. And when we got it here, then we used it for our own purposes and for any other banks that were open that needed a cash source, so you became the Federal Reserve. Did the law allow for that? No, but need does and it worked. And I would tell you that the morale of the Hancock Bank was never higher, and I don't know that it'll ever be as high as that again because I hope we never have another storm, but the people that work in this bank that serve the public knew that they had a calling and that they were doing good work, and they were proud to be a part of the recovery effort, to be a part of partnerships with Civil Defense, with National Guard, with Governor Barbour's operation, with the mayors and the supervisors and so forth. It was a very, very positive experience. We had families who lived with other families for months after the storm. We had all kinds of situations that you can imagine and no different than other thousands of stories that you hear about other people, but for your employees to go through that they build a core value, sort of like the old pioneer spirit of America that they fall back on. And when we go in the morning, every morning at daybreak, and we'd say, "OK, we're only going to deal with what we can deal with today, today's situation. We're going to take this thing one day at a time. And what we ask you to do is don't get in the corner and start talking about what your problems are at home, and so forth, and what your experience was, how deep the water was, how many this and how many that, everybody's got a story to tell and we'll tell those for the next fifty years. Today, only emphasize what we have to do to get up and operating. And that included going to see every single customer that we could go see to find out what are your needs, how much do you need to get back on your feet? So, soon as you can get the economy back up in operation, we can have this recovery. Alfred Roth is our chief credit officer and he—in that first day we're sitting there and we said, "We're going to have to loan a lot of money and we're also going to lose a lot of money on loans that are already out because the businesses are gone. Do an assessment. Go see every customer. And so we had loan officers going out knocking on doors to try to find Mr. and Mrs. John Jones, who had so and so business, where are you, are you going to open, what do you need, and so forth. Had payrolls to meet. Had employees who worked for those companies. Well, how do you meet the payroll? What do you do, have the company give them checks? Well, what are they going to do with the checks? So we didn't do that; what we did was we'd go to the company and said, "What's your payroll going to be for tomorrow?" And they said, "Well, \$600,000." "Well, that's a lot of money to give out. Suppose we do this; suppose we come here with you and we'll bring you X-number a hundred thousand dollars, and instead of giving your employees a check, we'll work out an arrangement where you give them a piece of paper that they can cash later, but let's just set the bank up here for you and give each one of them \$200, 300, \$400 in cash right there on the spot so that they don't have to take a piece of paper and go find a bank that's open, if they got one that's open, but instead they've got some cash in their pocket and they've got a piece of paper that says next week when everything does get back to normal, then they, you know, they deposit into their account and do whatever they have to." Now, you'll say, "Well, why didn't you just deposit it to their account?"

Because a lot of them didn't bank with us, you know, a lot of them banked someplace else, so that's the way you work that sort of situation. But the last thing you want is for Trinity Marine to have to come to the bank and get money and take it back to Trinity Marine. Or even worse than that is for Trinity Marine to give 400 of their employees a piece of paper, and what's that paper worth? Nothing. So we had to get the money into the payroll system there. And also Trinity Marine's people didn't have time to be going down to the bank to cash checks if a bank was open, they needed to do what they had to do to get Trinity back on their feet, so. You see how banking changes right quick? And you do some very unusual things. One of the most unusual things we did was our employees working in the debris and trying to get their places cleaned up, and so forth, susceptible to tetanus with cuts, and so forth that could occur. Typhoid is a problem with bad water, and so forth and so on. So Joe Spragens is operating across the street from us over there and the Health Department closely coordinated with him, and one of them said, "Joe, what are y'all doing about giving tetanus and typhoid shots?" He said, "Well, I've got them by the cases over here, you know, fully loaded syringes." He said, "We have nurses, and so forth, who give them out at the hospital or whatever." I said, "I have people all over the place." And he said, "How many you need?" "Well, can you give me a box of 500?" "Yeah." He gave me a box of 500, take them over the street and line all our people up who want to work and said, "OK, anybody needs a tetanus, typhoid shot, come up here. If you're not sure, get one anyway." You may know I raise horses and so I do some of my own veterinary work; my son does, too. He's a bank officer here. He knows how to give a horse a shot. I gave him those 500 things and said, "You hit those shots." He started popping those people. (laughs) So he's practicing medicine, OK, but that's what you have to do. And it's strictly voluntary, but you do those kind of things.

I had a newsman that was in here from Denver, Colorado, who was raising cane because the ATMs were not working. And he was raising cane on CBS News about how inadequate we were prepared for this disaster. And he was appealing to the board of supervisors in the courthouse and one of the members of the board of supervisors said, "Can you come over here?" I went across the street and he said, "Talk to this man." I went up to him and I said, "Well, what's the situation?" And he said, "Why the devil aren't your ATMs working?" I said, "Mister, ATMs work by electricity and by electronics. There are no telephone lines; that's all down." "Well, we can't even get money." I said, "No, nobody else can either." I said, "What is your problem?" And he said, "I've got to get to Hattiesburg and I can't buy any gasoline because I don't have any cash. I had to fly real fast to get to the storm and I didn't have time to get any cash when I left Denver." And so I said, "OK, how much do you need?" He said, "Well, I need a couple of hundred dollars." I said, "Do you have a business card?" He said, "Yeah." I said, "Give me your business card." He did. I said, "Here's \$200." He said, "Where's that coming from?" I said, "It's coming from the bank. I'll get mine when we go back across the street over there; we got an operation over there." And he said, "You mean you're going to give me \$200 on a business card?" I said, "Isn't that what you said you needed?" He said, "Yeah." I said, "Now, you get back to me on that \$200 when you can, and here's my business card" and so forth, "but we're doing everything we can. You know, you don't criticize because the electricity's down. The power company's out working fast as

they can. The telephone company's working fast as they can. We're down; yeah, we're having trouble. But understand the conveniences are gone. You can't turn a spigot and draw water today. You can't flip a switch and turn lights. You can't dial a telephone number. And you can't bank, but here's your \$200." About two days later he came back from Hattiesburg and he had \$200, and so forth. He came down and he said, "You know, I really misjudged what went on during the storm. I hadn't really thought about the fact that *everything* is gone, *everything* you normally think of being able to open a refrigerator and get out some mayonnaise and make a sandwich." (laughs) No refrigerator to open. So he learned a lesson by that. But all of us learned how much we need each other and how interdependent we are to get things going. You know from the school situation what it took to be able to get people who could come back to teach classes, about where you're going to have the classes, where are the students going to sit, how do you replace the books that are gone, how do the people who are teaching classes take care of their children who need to be back in school when the schools are having trouble getting reopened. I'm talking about the elementary schools getting reopened. It just goes, and goes, and goes. But because people join together and hold hands, we learned that what we live today in our daily life of those things that we take for granted that are very, very convenient are gone and we're back to the pioneer days where you do what you have to do. And I never want to go through another experience like this, but I know that if I live long enough I will because we are going to have different kinds of problems in our country, maybe mudslides, there may be earthquakes, there may be tornadoes or hurricanes or chemical spills or whatever, ice storms—that's just Mother Nature. And you sometimes ask yourself, is there a God that would let these kind of things happen? God's smarter than we are. He teaches us by these kinds of things. And I think we learned a lot and we're stronger people because of it.

The other thing that we saw was the *tremendous* outpouring of people who came in here from other areas; religious-based groups, community-based groups, different recovery groups that came in here of Americans helping Americans. Not just Americans, foreigners, too, who came in to help after a disaster. Well, that's the greatness of this world. And I think the Lord uses these kinds of things. I'm not being philosophical, but I think he uses those to teach us and make us better human beings. I'm convinced we're better as a bank.

Now, what have we done after this? OK, after we went through several things, and I'll come back to some of the things we did that were non-banking. We did a pretty good assessment. You OK on it?

Smith: I'm OK.

Schloegel: We did a pretty good assessment of that. OK, what are we going to do next time we have a storm? We said, well, number one, we're not going to be within two blocks of the beach anymore; we're going to go inland. We can't afford to lose a computer center again. And we also found that our disaster recovery for temporary operations was costing us \$50,000 a day to operate in Chicago, with a dozen families who were living there and having their children in school because they couldn't come back here—they had to operate for us—until after Christmas. And so we're talking

from August until after Christmas before we could get them back home. We won't do that anymore. What are we going to do for the future? So we decided we would build north of the interstate a bomb shelter; literally, a bomb shelter. And that would be where our computer center would be from now on. And we started looking for property north of the interstate, fifty feet above sea level, not to be subjected to any more rising water. We were looking for fifty acres of land that we could put that on and we found a site. And we found that it was a pretty massive site and we could buy a few more than fifty acres because *other* companies had the same needs we did. The University of Southern Mississippi had a need to be able to get back in operation as soon as possible with a computer center. Civil Defense has that need. The Mississippi Power Company has that need. Other banks have that need. Anyone who has—so we decided, why don't we create a technological park that would not only serve during the time that we have a disaster and the recovery thereafter, but let's also serve a safer zone without parking problems. And so we expanded that from fifty acres to about 500 acres and we said we'd let other companies locate there, as well. We now have that center built. We had it built within about two years of the storm. It has an eight inch thick concrete roof. Now, I'm not going to tell you that nothing could ever tear it down, but it is self contained, we can operate for the next month out of that building without ever, ever opening the door. That's food, water, fuel, the works; we've got all sources of everything that we think that we would need to operate independently if we had a complete meltdown of our system. No more Chicago, no more Atlanta, we're going to be able to do it from here, and also fifty feet above sea level inland off the beach. Out of the aftermath of that, Gulf Park Campus, which is very important to the community, needed to be restructured because of the damage of the storm, and folks at the State Institution of Higher Learning talked about the needs for higher education and since the Coast was rebuilding, maybe this was the time to build the kind of campus that was really needed for the long term. Dr. Tom Barrett projected that if he'd build the right kind of campus, he'd probably have 10,000 students within ten years attending this dual campus from Hattiesburg, and Gulf Park Campus would not be sufficient to handle that. So he wanted a site to put an additional footprint on the Coast and rebuild Gulf Park on the beach in a part of what he needed, but also to build a much bigger facility, as well. And as we looked at what we were building and listened to what he said, we expanded that footprint to almost 2,000 acres that we were able to buy. And we made that offer as a bank and our partner got forward to allow the campus to be there. He, Dr. Meredith, said he needed about fifty acres to have what he wanted. We convinced him that he ought to get about 200 acres, which was a gift anyway, so it didn't matter to him that he was getting more than fifty acres. Then we'd give him 200 acres so that the university would have a footprint for the next hundred years of what it needed. That's being planned for today and will soon be built, and it's right north of the Long Beach Campus so it's interconnected to the Long Beach Campus where a lot of money has been invested because we don't want to do anything to neutralize the impact on Long Beach, and also we want to maximize the beauty of that site right on the beach. But it needs to be safer, so now we have an inland campus as well as a shoreline campus. That's the thing we're doing with that Technology Park. But what are we doing that for? Well, we're doing it—number one, it's a more convenient place for our people to work. We're getting ready to build

another facility next to the fallout shelter that will accommodate an additional 400 employees, and that would be the nucleus of Operation Back Office that normally would be in this building—we're moving that to the north. That'll be built in the next two years. We're operating out of the Piggly Wiggly Grocery Store in Long Beach right now on a temporary basis until we get that building built. But we want to be ready for the next disaster so that our employees will have a place that they can safely go if they need to evacuate. Our employees who need to stay in operation 24/7, we'll have a safe place for them and their families to be, one that is self sufficient so that we don't have some of the normal travails that occur after a storm. And the ability—(coughs) excuse me—to get back in operation quickly so that we can service the public's needs for cash. Did we learn a little bit? Yeah, we learned that the manual doesn't mean much because the rules change when the wind and the water comes in, but the common sense aspects of the manual are still basic to what we do. That we need each other, businesses need each other, individuals need each other, the churches, the social organizations, the civic organizations all need to come together, and we've done that to be partners with government. The big thing is when you have a problem, sit down and face the problem and come up with a solution. To give you an example of that, 18,000 people worked in gaming casinos. They all had to be floating according to the law. They floated. (laughter) They floated real well.

Smith: They had inland gaming for a while then.

Schloegel: And our objective at that time, whether you were for or against gaming, was immaterial. We had 18,000 people who were out of a job because the place that they worked was gone. And because that floating concept was now challenged by those individuals who are in corporate management for those companies who had to make a decision about whether they would build something back in a floating operation was subject to some business questions. Jerry St. Pé is chairman of the Gaming Commission and immediately went out to the headquarters of the folks that had operations here on the coast and just point blank asked them, "Will you rebuild?" And to a person, even the Beau Rivage that did not lose as much of their structure as some of the others, said, "Yes, but we don't want to be floating. We're not going to spend the hundreds of millions of dollars necessary to come back if it's going to get blown away by the next storm." So we got a commitment from the corporate operations and we brought that commitment to the governor, and asked him to call a special session of the Legislature and we asked the Legislature to allow us to stay on the shoreline, but get out of the water, to come inland. And we debated between 500 and 1500 feet inland but still shoreline, not gaming anyplace, just gaming on the shoreline. And we were able to get the Legislature in eight days to agree to a compromise to allow the casinos to be built within 800 feet of the mean high tide and we subtracted the Highway 90 from that 800 feet, and it allowed them to then make plans for rebuilding the operation and to temporarily locating the hotels which were inland to operate within 800 feet. And as a result, we've seen some tremendous investment and reinvestment in the rebuilding of an industry that employed 18,000 people, and we had to get those folks back to work and that's what the Legislature did. So even people who were against gaming voted to allow us to have shoreline

gambling to get the people back to work. It wasn't about gaming, it was about jobs. And that eight days spent in Jackson at a time when we were trying to recover down here we didn't have time to be in Jackson, but a group of us went up there, camped out, and in eight days the governor signed that bill. I think it was a big step in recovery and it showed that the rest of the State of Mississippi, even though they had to bend some of their philosophical principles, were willing to make a slight bend in order to put 18,000 people back to work and in order to help the Coast get through recovery. The leadership that we had from Haley Barbour and from his wife following the storm on trying to do this recovery the best way has been absolutely incredible. I think in the first eighty days after the storm, Marsha Barbour had been on the Coast something like seventy-eight of those eighty days, and not for photo opportunities, but for giving out aid. And the President of the United States has been here fourteen times. His wife's been here twelve times. That means an awful lot to the general public to know that we've got that kind of commitment. The U. S. Congress has prorated funds, *unbelievable* in amounts, to help get this place rebuilt. Half of that money's been spent; the other half's still to be spent and here we are three years after the storm. We were able to get the Legislature to re-pass a bill that had been passed after Hurricane Camille to put in a comprehensive water and sewer system in the six lower counties. They did that during the regular session; very controversial. One of the counties ended up opting out, but we still had five counties in. Today we have more infrastructures being put in for our water and sewer than in the history of our area. We have over a *billion* dollars, four hundred million coming through FEMA [Federal Emergency Management Association] and another six hundred million coming through HUD [Housing & Urban Development] for the construction of a water and sewer system for South Mississippi's five counties. What that will mean for the future growth of this area, for the safety of not having to put septic tanks and have seepage of sewage, raw sewage going into our waters and our streams, is phenomenal. All of that came from the Federal Government as a *gift*. As a gift, and now it's up to us to do it right and to build the right kind of things. We're going to have future storms. We're going to have future growth. We need to be ready for it. And I think the Federal Government has been absolutely benevolent in trying to help us get back on our feet. Right now we're in the midst of a controversy about how we're going to handle insurance.

(Disk 3)

Smith: You were talking about insurance as a big recovery issue.

Schloegel: Have no question, insurance is a big recovery because in order to build a facility you have to borrow money, and in order to borrow money you have to be insured in case something goes wrong so the loan can be paid back. Under our present plan for insurance, we separate water from wind from multi-peril. After an event, how do you determine how much of it was caused by water, how much by wind, how much by fire, how much by this, how much—the person's lost their facility and now they have to go to court and find lawyers to try to say what actually caused the disaster. That's a terrible aftermath to have to deal with. And we realize, actuarially, you've

got to have a sound system for your insurance, but Gene Taylor put a bill in, in the House, which was extremely controversial to have a multi-peril bill that would cover wind or water. Didn't figure we had a chance with a snowball in hell of getting that bill out of the House. I already had commitments that the Senate would definitely not pass it and the President wouldn't sign it if it was passed. So what do you do? You quit? No, Gene Taylor doggedly stayed after that bill and got the Speaker of the House, been here now three times, who came in, had hearings and a commitment from Ms. Pelosi to get that bill passed, and by golly, we got it out of the House. To Gene's credit and to the credit of the U. S. Congress that was willing to try to force things to happen. Right now it's in conference between the Senate and the House. It didn't actually pass the Senate, but it's alive by procedure. Don't know if we can get it out of the Senate, hope we can. If we can, we need to go with what we can do. But we've got to clear this thing up so that a person who has a home, number one, builds it better, builds it stronger, builds it right, is able to buy insurance so that if we have a storm in the future they will have coverage and not have to become a lawyer's game.

Smith: At least Congressman Taylor's on the Conference Committee.

Schloegel: In Senate, Speaker Pelosi put him on the Conference Committee so we've got a person on the inside who believes what he's doing. And his dogged determination has been, in my estimation, one of the great things that's come out of this storm. This is going to be his heritage as a congressman, in my opinion; although part of his heritage is helping us back that island, as well. But he has shown great leadership in the House. And this is not a giveaway program, this is not asking Congress to give us something, it's just an effort to try to clarify what is it going to take for us to rebuild this area to live like you live in other areas. There's multi-peril insurance in other parts of the country. If you have a flood in Iowa, it's covered. Crop failure, whether it's water or wind or snow or ice or hale, or whatever, crop failure is crop failure, and we want the same thing down here. We've had in our own State Legislature, in the wind pool, some good legislation and the Governor appointed a fine commission of folks operating here on the Coast and throughout the rest of the state to make the wind pool actuarially sound. It involves some higher premiums, true, statewide minimum, but it also involves some recoupment from the previous storm over a period of time provided the insurance companies did not leave Mississippi, which they could have done. As long as they made a commitment to stay here and continued to write insurance that they would be entitled to some recoupment over time with the new plan that's actuarially sound for the wind pool. Is it perfect? No. Is it the best that we would like to have? No, but it's better than we had before. We've got good solid people and good leadership in the Mississippi House and Senate, and then the Governor's Office trying to make those things happen. We've learned a lot from this storm is what I'm, I guess I'm saying. We've learned a lot about human nature and we've learned a lot about the need for cooperation. We've learned an awful lot about the need for planning for the future. We've learned things as basic as where and how to build roads. As we speak right now, MDOT [Mississippi Department of Transportation] has completed two new bridges over the two bays, east and west of Harrison County. Gorgeous structures; well lit at night with walkways. Last night I

came across the Bay St. Louis Bridge and counted seventy-eight people at nine o'clock last night walking on that bridge. Good for health. Good for just psychological reasons just to be able to get out in that breeze and walk.

Smith: Beautiful, beautiful, beautiful.

Schloegel: Gorgeous, gorgeous. In between the two bridges by Christmas of this year of 2008, we'll have a new Beach Boulevard that's built stronger than it was before. Will it survive a future hurricane? No, it'll get damaged but it's in better shape than it was before. We've made some mistakes; we cut down some trees that we shouldn't have cut down because people weren't aware that those trees weren't dead, they were just in a state of flux following the storm. But MDOT realized that mistake and has replanted four million dollars worth of trees in the Boulevard; it's going to be gorgeous. We're going to be back bigger and better than we ever were before. We are seeing a new building code so that we have buildings that are stronger than we used to build in the past based on the fact that we learned a lot from Katrina. We see the port, which is out over the Gulf, taking new steps to make that port safer and able to evacuate prior to a storm so that the items stored on the port don't end up being a nuisance during a storm. We see some of our fun things being built back real well. As we look out this window, we see the Gulfport Yacht Club which was dedicated last month. Pass Christian Yacht Club, Bay St. Louis Yacht Club built back better than they were before. Biloxi Yacht Club under contract. Ocean Springs Yacht Club under contract. Oh well, that's for the silk stocking crowd. No, it's not for silk stocking; anybody can go into those clubs even if they're not members. It gives you a talking point, a spokes place for your community where you can share a meal with friends, and so forth, and where youngsters can recreate, swim in the pools, and so forth. Now all those built back; some with great expense. But that recovery spirit is here and the indomitable force that you see in the individuals that it's going to take a whole lot more than a Hurricane Katrina or Camille before that or World War II to beat us. We're not going to be beat regardless. We're coming back. We're coming back strong. We want a good life for our people. We've learned that many of our neighborhoods which had depressed housing are getting a shot in the arm for better housing for all of our citizens to live in. We have a much, much, much stronger appreciation for the natural gifts that we've been given by the Good Lord and the way He created this place for the cleanliness of our water, for the protection of our fish and wildlife, for a stronger way of life. Yeah, Hurricane Katrina is the most positive thing that's every happened in my sixty-eight years and I am so enthusiastic about the future because our people have been tested and they passed the test.

Smith: What do you look at as the most difficult challenges facing us as a community? For example, the paper's been pretty heavy lately and some of the business groups have been pretty heavy about the difficulty of affordable housing. What are you seeing as the greatest challenges we have moving forward? Here we are three years after the storm.

Schloegel: I could answer that by speaking to specific issues, but the biggest challenge I think that we face is the fact that the money that we have in hand today is not always going to be there. This is a short-term solution and a short-term infusion. Even though it's a lot of money, we can't continue to count on that kind of money being available. So, we've got to get "back to normal" as soon as possible and not expect those same sorts of funds to be available on, and on, and on. The Port has six hundred million dollars on the CDBG Grant [Community Development Block Grant] to rebuild. They better spend that money real wisely because they're not going to have another six hundred million. This is a one-time infusion. We've got the billion dollars to build our water and sewer, but we better spend it wisely because we're not going to have another billion. We've got—right now we still have a couple of billion dollars for housing; we better plan it real, real well so that we build the kind of houses that will stand future storms. We create the right kind of safe neighborhoods and we get the right people in those houses that will take care of the houses and to keep them up. Right now, we're affluent with money. And a lot of it has not been spent; less than half the money that has been given to us three years afterwards has still not been spent. That, to me, is the biggest challenge; get down to the specifics. Many of the problems that we had with housing prior to the storm had nothing to do with the storm. They were here just like they are in any other community. Our expectation is somebody else is going to pay to fix that needs to be dealt with a little more realistically. I think we've got to do a little more self help in the way we approach housing in general. That's a national dilemma. It happens right now we're in a national recession with new home building, but that's not our problem here on the Coast. Right now we have over 1500 houses that are available for sale that are under \$160,000; that's what you call affordable housing. Why aren't they selling? As an expectation that somebody's going to give us something. There's been a lot of money in grants. There's been *a lot of money* spent out by insurance. There's been a limited amount of rebuilding, however, in certain areas but particularly right along the beach. I'm worried about what happens from the railroad south. The railroad is a natural levee, not too much damage north of the railroad tracks, but a lot of damage from the railroad tracks south. The amount of building taking place is a little disturbing to me at this point. Casinos are coming back a lot better. The areas up on the service drives, like on beach Boulevard in Pass Christian is coming back OK—but why? Because that's high, you can build back there. It didn't have that much destruction to begin with. But some of the lower-lying areas, a little slow on coming back. I'm concerned about that. That's a major, major challenge. Part of the expectation is that the property along the beach is worth more than it's actually worth. Just prior to the hurricane we were having a change in the way we live in South Mississippi that was a spread over from the Florida and the Alabama Coast, with the expectation that we were going to become a shoreline dominated by high-rise condominiums. That actually took place in Florida and Alabama, and was moving into the Mississippi Coast, and property that had previously had been selling for, let's say, \$100,000 an acre was being gobbled up for a million dollars an acre, so just about everyone thought "My land's worth a million dollars an acre." Well, it really wasn't. And the people that were going to build these condominiums were not folks who were ultimate users of them, the ones that would live there, they were speculators, like speculating on a

commodity or on a stock that were putting a minimum investment in and then flipping that over two or three times before the ultimate owner got to the condominium. Hurricane Katrina saved us from that dilemma because it stopped short that expanse of condominiums that took place in Florida and Alabama. It did not get to the Mississippi Gulf Coast and that has saved us from a bad, bad, bad situation of converting our beach line to a surplus of condominiums that were speculative ventures. We did build a few and those seem to have done OK during the storm and they seem to be doing OK right now, but it's because of limited number. Panama City, I understand, right now has about 12,000 condominiums for sale. Thank goodness we did not get into that because that could've wiped us out. But we have to learn from it and be careful about how we build our beach back. The expanse of gaming is a challenge for us. There are a number of people who would like to put additional gaming facilities on the shoreline under the 800-foot rule an exact definition of that rule is being interpreted differently by different people, but there are some who want to expand the gaming zone so that gaming can go anyplace on the Gulf Coast. I think that would be dangerous. As big as Las Vegas is, and they're hundreds of times larger than we are, there's a finite number of gaming facilities that can be supported by the economy. Now, what is that number? I'm not sure and we may not be there yet, but can we support eight, ten, twelve, twenty? Yeah, maybe. Can we support a hundred? No, I don't think we can. I don't believe a hundred would be profitable. How do we draw the line? That's a challenge, that's a major challenge. And whether you're for or against gaming, you want it to be successful if you're going to have it, and so far it's been extremely successful. But the proliferation of it to a point of having a saturation might hurt those that are already here and it might discourage quality, new ones from being built, so that's a challenge for us. I think the normal challenges, also, are us thinking big enough about where we want to be ten, twenty, thirty, fifty years from now, and to be careful how we put something back in following the storm so that it will test—stand the test of time. Just like the expansion of USM [The University of Southern Mississippi], we've got to do this right. We have an opportunity right now, with a clean slate, to build something that we can be *extremely* proud of that *really, really* works. We don't need to make many mistakes in getting that done. We need to look over our shoulder and learn from the mistakes of the past, be careful not to let our ego get in front of us and building something that makes us feel good today, but really didn't work well tomorrow. You and I, Pat, are going to be dead and gone when people are going to be feeling the effects of the decisions that we make today. And in the future, they won't know whether you and I made them, that's immaterial, or somebody else made them, but they will feel the effect of that decision and we need to make sure we judiciously do the right things; governmentally, civically, socially, business wise, educationally, all of those things need to come into play right now. And because we have been laid flat and had a chance to "start over," I think we've got to be wise in what we do. And I'm encouraged. I'm encouraged by the leadership that I see. I'm encouraged by the attitudes that I see. I'm discouraged by the slowness of the implementation by some of those things, but I am, I can go back and say, "I think we have to be careful to remember that this is a bubble, and the amount of money that we have today is not going to perpetuate itself. It's going to be a one-time shot and we better spend it *real, real* careful."

Smith: Can I ask you, maybe, to quickly comment about mortgages. Hancock Holding Company has a mortgage operation. I can remember after the storm a lot of people were very concerned about their mortgages. We had a mortgage holiday for a while for people who were slabbed; some banks did.

Schloegel: Yeah, let me speak to not just mortgages but to loans in general.

Smith: OK.

Schloegel: And I think this answers your question. Immediately following the storm, as I told you, we asked our people to go out and do an assessment of our customers who'd been borrowing from us to find out would they be able to repay their loans, what did they need to get back on their feet, and so forth. And then keep in mind we had a storm at the end of August, so we had a closeout of our third quarter at the end of September, so we had four weeks following the storm to determine just how bad the storm was going to be, the effect of the storm was going to be, financially. We did an analysis and, as I said, after Rob came back in, and he estimated that we might, in Hancock Bank alone, might stand a loss of as much as fifteen million dollars in loans that could not be repaid. Fifteen million dollars; big, big, big amount of money.

Smith: This would be housing, as well as commercial?

Schloegel: Everything. And so we sat and we visited about that amount. We talked about it a little bit and we said, "You could be wrong; it may be worse than fifteen million." He had been very conservative with his fifteen million. And when he asked me, he said, "Well, what amount you think we ought to charge off, in effect, and just say they're bad, would not repay?" I said, "Well, I'd double your fifteen million to make it thirty, thirty million." And he said, "Wow, no way we'd lose that." I said, "Well, we might, though." So we looked at our third quarter earnings, how much money we were going to make in our third quarter. The whole investment community was looking—we're nationally traded on NASDAQ [National Association of Securities Dealers Automated Quotations]—at just how bad we were going to be, what kind of losses would we take? Our stock price plummeted; it went down from about \$44 to \$29 a share, which was a lot. So we went on a webcast and we announced that we were going to write off 35.2 million dollars in loans that quarter. That would mean that we took all but one million dollars of our third quarter earnings and wrote it off. And we said, "We're going to put Hurricane Katrina behind us in one month." Do you really believe you'll lose 35.2 million? No, we don't really believe we will, but we believe it enough that we're going to go ahead and write it off, and if it doesn't happen, we'll be better off, we won't be any worse off. So we're going to digest this storm in one month. How many people are going to throw you keys to their mortgages? That's all in there; 35.2 million dollars worth can come to the table and we'll still be better off. Investment community kind of liked that. Our stock went back up to about \$39 in about two weeks. Our actual losses, three years later, less than three million dollars, less than three million dollars.

Smith: So the mortgage foreclosure situations hit the rest of the country, we're a part of that, but as far as what the bank's business operation and mortgages—

Schloegel: Have not—

Smith: —considering Katrina, you hadn't taken a bat.

Schloegel: Not at all, not at all. One of the things that happened was those people who were a little bit strapped prior to the storm had all kind of insurance money, came in, they came in and paid their loans off. People did not throw us keys on top the table, they had—and let me say this, it's because of two things. Number one, we're in business because people are honest. If 99.9 percent of the public weren't honest, we couldn't run a bank. It's built on people, regardless of the documentation on us, it's built on people doing what they say they're going to do.

Smith: You don't have enough repo men to go after every car and every house that you—

Schloegel: We don't have to; our customers don't do that to us. The second thing is how do you write your loans? When you're underwriting right from the start, how do you write your loans? We don't make loans to people that can't pay us back; that's a disservice to them and to us, too. That's our customer's money that we're lending. We're trustees for that money. We need to make a loan to a person that can pay you back. Sure, you have to stretch a little bit, but they have the capacity to do so. We've never made subprime loans. A subprime loan's a honeymoon contract of saying, "We'll let you get in the house for \$400 a month, but we can tell you that really you ought to be paying \$800, but we're going to give you this honeymoon period before it actually gets to the 800." People don't read the fine print and they think it's going to be 400 a month forever—it's not, not. That's a discredit to our industry to think that anybody would do those honeymoon contracts. We don't do that here. I don't think banks in Mississippi generally have done that. No honeymoon contracts, no subprime lending, just don't do it. You lend—

Smith: The property values probably were never overvalued the way they have been in, maybe, California or Atlanta.

Schloegel: Well, that's betting that inflation's going to continue to run the value of the house up; that's a shallow bet. That's a real shallow bet. Never would make that. Basically, when we would underwrite a loan, we want you, the borrower, to have 20 percent equity in the position that you have. If you've got 20 percent equity in that facility, you're going to try to pay that loan back because you don't want to lose your 20 percent, and that protects our 80 percent, and so we don't have those write-offs. What occurred was a group of greedy people in this country got to generating loans to people that couldn't pay those loans back and betting on the come that inflation would

make it better in the future; terrible bet. Terrible bet and greed drove us into this position, and thank goodness our banks in Mississippi never did play that game.

Smith: Do—I was going to ask you that question—if you were looking—you were telling me about your exposure was less than estimated the month after Katrina, the amount of bad loans that couldn't be repaid by as much as—

Schloegel: By a factor of 90 percent.

Smith: Can you say what generally has been the experience with other banks in the region, they found the same general experience that they're not really as bad off as they might've though they would've been?

Schloegel: The difference between us and some of the others is that we took all of our hit that first month when we closed out the third quarter. Some of the banks delayed that and waited a little bit longer. And some of them were not as aggressive as we were. But none of them are hurting because of what they did. Some banks, even this year in 2008, the two years, two full years after the storm are still taking a few of the losses that we took our first month. Now that's just a management decision of how you want to handle it; how long do you postpone the inevitable? We've always run this bank on a very conservative basis and we'd rather—what we often say is, “You can fool some folks, but you can't fool yourself.” And we don't want to fool ourselves into thinking, “Oh, it's going to be better in the future.” We'd rather say, “What's the worst it can be today? Can we face that? OK, face it today and let's open tomorrow morning knowing we've already faced it and we got it behind us. If it turns out next week it wasn't as bad, OK, we've always got something we can recoup.” Now, insurance became a problem for us after the storm; us, Hancock Bank. Hard to get insurance; *real* hard to get insurance from people that we had been with for many, many, many years. I mentioned to you that we had a 35.2 million dollar write-off in that first month after the storm. It turned out we did not need that write-off; we were able to put almost 90 percent of that back. Well, we took 15 million of that that we put back and we're kind of holding that aside as a special deduction for the non-insurance that we were not able to buy in going forward, just in case we have another storm. So, right now we have—

Smith: So you are self-insuring.

Schloegel: We have a 15 million dollar pool that we have already digested as an expense that is sitting there as a reserve for deductibility on future policies. Now, over time, we can absorb that, but right now, in case we had another storm immediately, and we've been blessed, here we are on our third season that we hadn't had one, thank God, but if we had another disaster, we'd have, we'd need that reserve, and so we've been pretty prudent in setting that aside.

Smith: Do you know a dollar figure for the physical damage to the bank after Katrina?

Schloegel: Probably 100 million dollars.

Smith: And that insurance would've covered you on that?

Schloegel: We are *strong* believers on insurance. We had over-insurance before the storm and now we have that 15 million dollar reserve for the going forward. Financially, I would say with insurance, and not emotionally and not from a physical standpoint of how much work it took to get back, but from a financial standpoint we were not damaged by the hurricane.

Smith: So your insurance covered this building from being torn up the way it was.

Schloegel: Yeah, and we were back in it in March a year and a half later. We built it back better than it had ever been before and we did that as a statement to the community that we believe in this town and that we would build back bigger and stronger than we were before. We rebuilt the bank in Pass Christian on the beach; it costs us about a million dollars. We rebuilt the bank in Bay St. Louis on the beach; costs us about a million dollars. We rebuilt our brand new bank in Waveland that was wiped out; it costs us a lot of money, including the Community Center that we there. Why? Was that an investment that we would make of getting a return back in the short haul? We'd probably never get our money back on those. But the community needs an expression of leadership that we can believe and we're willing to make a commitment going forward that this is a good place to live and work. All of those buildings are built back better than they were before, and in the case of Waveland it's brand new. In the case of this building it's virtually brand new. Pass Christian and Bay St. Louis, which were both historic buildings, Bay St. Louis was the first masonry, two-story structure built in that county in 1900, it is a symbol that says, "Hancock Bank, the Hancock County Bank and Hancock County believes in Hancock County." And if we can come back, our neighbors say, "Well, the bank came back, we can too." And so you've got Tony Trapani building right back next door, it's a domino effect. Somebody's got to step forward and say, "We believe in the future." And we've done that. It cost us some money.

Smith: In downtown Gulfport—this building is here and it looks mint condition; looks brand new; inside is beautiful—but not much else in old downtown Gulfport goes actually back forty years or fifty years and remember how lively the downtown area was. Do you have any comments or ideas about the future of this old business district?

Schloegel: Well, let's go back to the 1970s after Camille, downtown Gulfport had what many downtowns had had when you lose places like Sears, Roebuck and J. C. Penney.

Smith: Went to the mall.

Schloegel: They went to the malls because people were driving cars. That happened all over America. So, what do you do? We needed a new headquarters building. All the analysis said that we should build a building somewhere in the neighborhood of Dido Road and Highway 49, which is about five and a half miles inland, but that would be the new nucleus of Gulfport. The tax base is downtown. We made a decision to build a 20 million dollar building right here as an expression that we wanted to try to maintain the downtown business district. We're right connected to the port. The name of our city is Gulfport. It's connected to this port, and for us to go five and a half miles inland would have abandoned what was the basics of Gulfport. And we chose not to do that. Was it a good investment? Well, a lot did not follow us, quite frankly, that there was not a lot of additional investment downtown. But we've reaffirmed that decision after Katrina that even though the building was gone and we could build it someplace else, we really needed to build it back again because we still are bullish that we're in an area that is going to have a great future. Will it be big box things like Sears and Penney's? No. It'll be more of a business center. We hope that there will be some downtown lending and some mix use under the new urbanism. We've spent an awful lot of money investing in what we believe. We see some small signs right now of recovery but—pitifully small—but, again, we're bullish. The new Federal Building that was built just prior to the storm is only about four blocks away. The Mississippi Power Company refurbished their building, built back. Bancorp South refurbished theirs; they built back. The casino built back. So there's some positives. The city is undergoing a major change in what it's going to do with Jones Park and with the Yacht Harbor. The Gulfport Yacht Club built back a 9-1/2 million dollar building. The State Port has 600 million dollars to expand their facilities. So there's some money there. The courthouse is in good shape. There's a—I think there's a, generally a good attitude about the downtown areas. Is it an uphill battle? Yes. Has the country going to malls? Yes. But if you look out the window right now, you see the Gulf and Ship Island Railroad Office that Mississippi Power Company had redeveloped. That was built here as the headquarters for the building of the railroad from Chicago to Gulfport. And the formation of the Port of Gulfport and the town, Gulfport, that anchor still sits there and its got the vision of Captain William Harris Hardy, who was the founder of this town, and the completion of that by Captain Jones, who was a great benefactor from Pennsylvania who help build this town, Hancock Bank feels like we got a place in the future and we need to do exactly what Hardy and Jones did. And that is believe in the town and keep things going. This is our home and we're bullish on it. We're a little bit concerned about the slowness of implementation that's taking place to come back, but we're not about to give up. This is our headquarters. We have over 6,500 stockholders who believe in this headquarters. And we're absolutely committed to the future and that's why we said, "Here's 200 acres to USM to build a facility because the people that are going to live here need that education." We've got a motto here that this is a great, great place to make a living, but it is a wonderful place to make a life. I mean where else could you be when you look out there and see that water. Treacherous as it can be during the storm, most of the time it's as beautiful as you see and God gave us a great privilege and we need to play on it, including the downtown area—Biloxi, Gulfport, Long Beach, Pass Christian, Bay St. Louis, Moss Point, Pascagoula, or inland when you go

to Hattiesburg, and Alexandria, and Baton Rouge, and New Orleans, this is home and we're bullish.

Smith: Do you have a value that you can, a monetary value that you could put on that 200 acres you donated with WC4(?) to the university wherever they're going to locate it in that plot? Do you know what the monetary value of that property might be?

Schloegel: Today it's a minimum of \$10,000 an acre, but when we put the infrastructure in, it's probably going to be worth about \$50,000 an acre.

Smith: So that's a—

Schloegel: But that's immaterial. What is the economic value of a person who gets a diploma and then goes to work in here in their home, and the thousands of people that are going to have that? That's the real value. The real value is the quality of life that it's going to put into future generations of the Mississippi Gulf Coast and I don't think there is a number you can place on that, it's incontestable.

Smith: Now, George, I asked you for two hours and we've taken two hours.

Schloegel: Well.

Smith: We could talk some more, but I want to respect your time. Do you have anything that you want to be sure that we add to this record that we haven't talked about?

Schloegel: Being a history student myself, I respect where you're coming from and I think that it's important that we do what we're doing here today. Not that I have any wisdom to share, but I've lived here all my life. I was born right down the street at the King's Daughters Hospital and I lived right there at Woodward Avenue, I'm only a few blocks from where I was born and where I lived as a boy, and I think during that period of time that God has blessed me with a little bit of a memory to remember how we got where we are and to benefit from the wisdom of the Captain Hardys and the Captain Joneses and the people that have led our community. I think it's important that we record these kinds of things for whatever they may be worth, not because it comes from George Schloegel, but because it comes from somebody who has spent a lifetime here. We are going to have future problems, and if we ignore those, then we're going to have a lot worse problems. If we embrace them and understand that where we are and what we do and where we live has challenges, and we embrace those challenges in going forward, we can learn from the past mistakes and from the vision of others. When I go out there to Evergreen Cemetery where my parents and grandparents are buried, and right around the corner from that Captain William Harris Hardy is buried—I've been going to his headstone since I was a little boy—and I think about what he envisioned in the 1890s, a long time before we ever came about, on what we could be. He did it here in Gulfport, but he also was a founder of Hattiesburg, he did it in Hattiesburg, too, connected two cities, and when I see that

kind of vision in what he laid out in the width of the streets and the layout of the port and the digging of the channel, that says, “keep recording” like you’re doing here today, Pat. Keep recording so we can learn from our wisdom and we can benefit from our mistakes, and we can have his vision going forward. We live in paradise. There are problems all over the world. We’ve got our problems, too. But, again, a great place to make a living, but a wonderful place to make a life. And I’m optimistic about that opportunity for the future generations and I just hope we will take advantage of every opportunity that we have.

Smith: Thank you.

Schloegel: OK.

Smith: I appreciate it very much.

Schloegel: If that’s what you want.

(end of interview)