

**SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD
AUGUST 4, 2015**

A special meeting of the Arkansas State Banking Board was held in the conference room of the Arkansas State Bank Department, 400 Hardin Road, Suite 100, Little Rock, Arkansas, at 10:00 a.m. on August 4, 2015. The following Board Members were present: Chairman Elizabeth Bowles, Vice-Chairman Gary Hudson, Zach McClendon, John Freeman, and Gary Smith. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioners Luther Guinn and Susannah Marshall, Certified Examinations Manager John Ashby, and Administrative Analyst Barbara Mahoney. Lynn LaSalle from Bushman Court Reporting was the recording reporter for the applicants. No representatives from the media were present.

Bank Commissioner, Candace A. Franks, called this special meeting of the State Banking Board. Notice of the special meeting was sent by regular mail to each member of the State Banking Board on June 29, 2015. The notice was also given to the news media in accordance with state law.

Commissioner Franks opened the meeting. Secretary Luther Guinn declared a quorum was present. Commissioner Franks then asked the visitors and guests to stand and introduce themselves and state who they represent. In attendance were Randy Dennis and Kyle Shadid with DD&F Consulting Group; Helen Brown and Dennis James with Bank of the Ozarks; Marnie Oldner, Nick Roach, Kirby Smith, and Kevin Compton with Ozark Heritage Bank, NA; and Jack Pruniski with Hilburn Law Firm representing Ozark Heritage Bank, NA. She then turned the meeting over to Chairman Elizabeth Bowles.

First on the agenda was consideration of the Minutes of the January 15, 2015 Regular Board Meeting. A motion was made by Gary Hudson, seconded by John

Freeman, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

Next on the agenda was an application by Ozark Heritage Bank, NA, Mountain View, Arkansas, to convert to a state-chartered bank to be known as Stone Bank. Kyle Shadid with DD&F Consulting Group, Little Rock, Arkansas, represented and spoke for the application.

Mr. Shadid stated an application for conversion was presented to the State Bank Department and his presentation would address the Arkansas Banking Code requirements that must be met in order to obtain approval. Mr. Shadid stated the bank's office is in the State of Arkansas; the bank has filed a conversion application with the Bank Department, including a certificate signed by the president setting forth the action taken in compliance with the provisions of the applicable laws, accompanied by the Articles of Incorporation approved by a majority vote of stockholders for the governance of Ozark Heritage Bank, NA, to be named Stone Bank, as a state bank. Mr. Shadid stated the application was prepared in accordance with rules and regulation for a national charter to convert to a state charter. Mr. Shadid stated the FDIC will be the resulting federal regulator.

Ms. Marnie Oldner, President and CEO of Ozark Heritage Bank, NA, stated the institution was six years old after buying First National Bank of Altheimer six years ago in March. Ms. Oldner stated it has been a challenging time, and they have done quite well the past two years and their performance is looking much brighter and better. Ms. Oldner stated they hoped to do some expansion this year and were excited about doing so with the supervision of the State Bank Department.

Mr. Gary Smith asked if there were plans to open a loan production office in Little Rock. Ms. Oldner stated plans were to do that with an emphasis on commercial lending and SBA lending.

Mr. John Freeman asked if they were anticipating any other branch locations. Ms. Oldner stated they have a leased facility in White Hall that is limited in that it does not have a drive-thru or ATM. Ms. Oldner stated they have negotiated the purchase of land and will be submitting a request to the State Bank Department for approval to build a permanent facility. Ms. Oldner stated they own land in Harrison and next year hope to break ground there as well. Ms. Oldner stated they have a good lender from Harrison that commutes daily to Mountain View and will be a real solid factor for them in Harrison.

Mr. Gary Smith asked if there were plans to make the location in Little Rock a full service branch. Ms. Oldner stated eventually, but they are primarily focused on community banking in Harrison and White Hall, and then in Little Rock they would like to expand as a focused kind of lending program.

Mr. John Freeman stated the bank had really strong earnings in 2014 as a result of the selloff of FSA loans and asked about the earnings outlook for this year. Ms. Oldner stated the return on assets is about 2.7 percent and expect that to continue through next year, other than the drag that expanding will cost earnings. Ms. Oldner stated they have been selling FSA Guaranteed loans since the last half of 2011 and initially obtained guaranties to shore up some substandard assets, and started selling loans because of the small bank problems with dealing with large costs to comply with regulations and general overhead. Ms. Oldner stated the real benefit in the past year and a half has been the expansion in the poultry industry in their area that helped enhance what they were already doing previously to that.

A motion was made by John Freeman, seconded by Gary Hudson, to approve the application, the motion carried and the Commissioner concurred.

Next on the agenda was an application by Bank of the Ozarks, Little Rock, Arkansas, to merge Bank of the Carolinas, Mocksville, North Carolina, with and into

Bank of the Ozarks, Little Rock, Arkansas. Mr. Randy Dennis with DD&F Consulting Group, Little Rock, Arkansas, represented and spoke for the application.

Mr. Dennis stated the merger application was filed on May 28th and pursuant to statute, there are five criteria: That the merger must provide an adequate capital structure; the terms of the merger must be fair; the merger cannot be contrary to public interest; the merger must adequately provide for dissenters' rights; and that the requirements of all applicable state and federal laws have been complied with. Mr. Dennis stated on a merged basis, the institution will be well capitalized and is currently at 14.89 percent and goes to 14.68 percent after the acquisition. Mr. Dennis stated the terms of the merger were fair with Bank of the Ozarks having carefully evaluated through due diligence and through negotiation of the terms and Bank of the Carolinas requested or had a fairness opinion for the transaction also affirming the fairness of it. Mr. Dennis stated the merger is not contrary to public interest and the size allows the institution to provide additional products and services that will very well serve the market. Mr. Dennis stated the holding companies of both banks have approved the merger transaction.

Mr. Dennis James with Bank of the Ozarks stated they began looking at Bank of the Carolinas in 2012 when it was a troubled bank with TARP and was undercapitalized. Mr. James stated Bank of the Ozarks could not make the transaction work at that time, but Bank of the Carolinas recapitalized in 2014, cleaned up the great majority of their issues, and was an entirely different bank, and Bank of the Ozarks was able to arrive at this transaction. Mr. James stated this is a small transaction as Bank of the Ozarks has branches in the Charlotte area. Mr. James stated the Bank of the Carolinas has three branches in that market area and it is efficient to acquire those branches. Mr. James stated the Bank of the Carolinas also has five branches in the Winston-Salem/Greensboro market, which is a market Bank of the Ozarks has had an eye on for a long time and wanted to be in, making this a strategic purchase. Mr. James also stated Bank of the Carolinas is no longer under a Consent Order as it was removed yesterday.

Mr. Zach McClendon asked if there were any dissenters. Mr. James stated that there were two with less than one percent of the ownership base, and the 99 percent of the ownership was very much in favor of the transaction.

A motion was made by Gary Smith, seconded by Gary Hudson, to approve the application, the motion carried and the Commissioner concurred.

Next on the agenda was a regulation for identification requirements for the transfer or closure of pay on death deposit accounts. Commissioner Candace Franks provided an overview of the regulation (see Certificate of Permanent Regulation as appendices to these minutes).

A motion was made by John Freeman, seconded by Gary Hudson, to approve the regulation, the motion carried and the Commissioner concurred.

Next on the agenda was a Resolution in recognition of Marcus McCain for his service to the State Banking Board (see copy of Resolution as appendices to these minutes).

A motion was made by Gary Smith, seconded by Gary Hudson, to adopt the Resolution, the motion carried and the Commissioner concurred.

Being no further business, a motion was made by Gary Hudson, seconded by John Freeman, to adjourn. Motion carried.

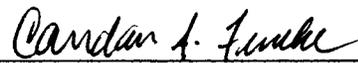


ELIZABETH BOWLES, CHAIRMAN
State Banking Board

ATTEST:



LUTHER GUINN, Secretary
State Banking Board



CANDACE A. FRANKS
Bank Commissioner

Board Members in Attendance:

L. Elizabeth Bowles
ELIZABETH BOWLES, Chairman
State Banking Board

9-24-2015
Date

GARY HUDSON, Vice-Chairman
State Banking Board

Date

Lach McCleendon
LACH McCLENDON, Member
State Banking Board

9-24-15
Date

JOHN FREEMAN , Member
State Banking Board

Date

LANA HAMPTON, Member
State Banking Board

Date

GARY SMITH, Member
State Banking Board

Date

CERTIFICATE OF PERMANENT REGULATION

In respect to the foregoing permanent regulation of the State Bank Department Rules and Regulations Manual, the State Banking Board certifies as follows:

Said regulation was heard at a Special Meeting of the State Banking Board (with the Bank Commissioner and Deputy Bank Commissioners in attendance) held in the Conference Room of the State Bank Department, 400 Hardin Road, Suite 100, Little Rock, Arkansas on August 4, 2015, beginning at the hour of 10:00 a.m., all members of the Board having been sent notice of the meeting, and 5 members of the Board being present in person, or by teleconference, and participating in the meeting.

The foregoing regulation was adopted at said Special Meeting upon the vote of 5 members of the State Banking Board. The Bank Commissioner concurred with the Board in the adopting of said regulation.

The State Banking Board finds that notice of the foregoing permanent regulation was given as required by A.C.A. § 25-15-204 the Arkansas Administrative Procedure Act and that the foregoing regulation is hereby now adopted and effective as permanent regulation.

ADOPTED AT A SPECIAL MEETING OF THE STATE BANKING BOARD AUGUST 4, 2015.

L. Elizabeth Bowers
Chairman, State Banking Board

ATTEST:

Ruth In
Secretary, State Banking Board



Carole A. Finkle
Bank Commissioner

PROPOSED RULE

47-204.1 IDENTIFICATION REQUIREMENTS FOR THE TRANSFER OR CLOSURE OF PAY ON DEATH DEPOSIT ACCOUNTS (Reference A.C.A. §23-47-204)

A.C.A. § 23-47-204 (e)(4) states: "The State Bank Department shall promulgate rules that set out procedures a bank may take before transferring ownership of a deposit account, closing a deposit account and distributing the proceeds to a person designated by the account documents as a beneficiary."

- (a) Before ownership of a deposit account is transferred, or a pay on death account is closed and the funds disbursed, a bank may require:
 - (1) For pay on death accounts: Legal evidence of the death of all other account holder(s)
 - (2) Identification from each designated beneficiary.
- (b) If a designated beneficiary is a non-natural person, the bank may require:
 - (1) The non-natural person to provide proof of legal existence and/or good standing as an entity; and
 - (2) Individuals representing the non-natural person to provide identification, and evidence demonstrating their authority to collect the account on the non-natural person's behalf.

RESOLUTION

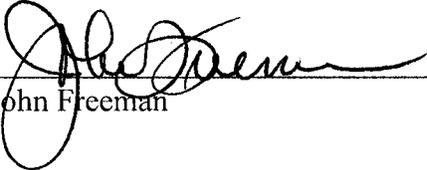
WHEREAS, Marcus McCain served faithfully for 10 years as a member of the Arkansas State Banking Board; and

WHEREAS, he unselfishly devoted his energies through his judgment and decision-making during this period of time to the improvement of the banking industry for the citizens of this state; and

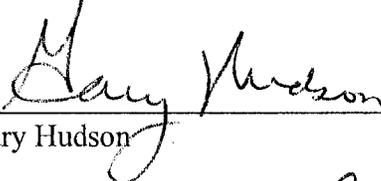
WHEREAS, his contributions to the duties and responsibilities of the State Banking Board have been most valuable; and

WHEREAS, his service to the State of Arkansas and especially to banking should be recognized.

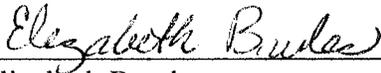
NOW THEREFORE BE IT RESOLVED; That the State Banking Board adopts this resolution of appreciation to Marcus McCain on this Fourth Day of August, Two Thousand Fifteen.



John Freeman



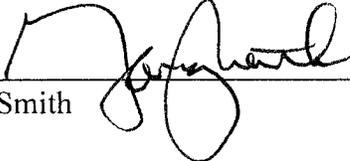
Gary Hudson



Elizabeth Bowles



Zach McClendon



Gary Smith

Lana Hampton



Luther Guinn, Secretary



APR 29 '15 AM 9:54 ASBD

STATE OF ARKANSAS
ASA HUTCHINSON
GOVERNOR

April 24, 2015

Mr. Zach McClendon
P.O. Box 270
Monticello, AR 71657

Dear Mr. McClendon:

I am very pleased to appoint you to the State Banking Board, for a term to expire on December 31, 2019. Your name soon will be brought before the Senate for confirmation in the General Assembly.

I appreciate your willingness to serve the public, and I am counting on your wise counsel and advice as you accept this position of responsibility. I look forward to your participation and support as we work together to build a new foundation for Arkansas.

Enclosed, please find instructions for taking the oath of office.

Sincerely,

A handwritten signature in black ink, appearing to read "Asa Hutchinson", written over a horizontal line.

Asa Hutchinson

AH:ap

Enclosure

Cc: The Honorable Eddie Cheatham
The Honorable Mike Holcomb
Commissioner Candace Franks, Arkansas State Bank Department



STATE OF ARKANSAS
ASA HUTCHINSON
GOVERNOR

OFFICIAL APPOINTMENT

Date: April 24, 2015

TO THE SECRETARY OF STATE:

Under the provisions of Arkansas Code Annotated § 23-46-301,

I have, on this date, appointed Zach McClendon,

whose address is P.O. Box 270, Monticello, AR 71657, Drew County,

and whose telephone number is 870-367-2700,

as a member of the State Banking Board,

for a term to expire on December 31, 2019.

Replaces: Marcus McCain


Asa Hutchinson, Governor