

**SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD
SEPTEMBER 24, 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 September 24, 2015. The following Board Members were present: Chairman Elizabeth Bowles, Zach McClendon, and Gary Smith. Board Member Lana Hampton was called by phone and participated in the meeting by conference call. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioner Luther Guinn, Staff Attorney Amanda Andrews, Certified Examinations Manager John Ashby, and Administrative Analyst Barbara Mahoney. Lynn LaSalle from Bushman Court Reporting was the recording reporter for the applicant.

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 August 18, 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 Josh Dennis with DD&F Consulting Firm, Meg Johnston with Mitchell Williams Law Firm, Randy Sims, Bob Birch, Kyle Penter, and Bryan Davis with Home BancShares, Inc. She then turned the meeting over to Chairman Elizabeth Bowles.

First on the agenda was consideration of the Minutes of the August 4, 2015, Special Board Meeting. A motion was made by Gary Smith, seconded by Zach McClendon, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

Next on the agenda was an application by Centennial Bank, Conway, Arkansas, to merge Bay Cities Bank, Tampa, Florida, with and into Centennial Bank, Conway, Arkansas. Josh Dennis with DD&F Consulting Group represented and spoke for the application.

Mr. Dennis stated the merger application was filed on July 10th and pursuant to the statute, there are five criteria for approval: The merger must provide an adequate capital structure; The terms of the merger must be fair; The merger is not contrary to the public interest; The merger adequately provides for dissenters' rights; and The requirements for all applicable state and federal laws have been complied with. Mr. Dennis stated the resulting institution will be well capitalized with a leverage ratio of 9.1%, Tier 1 risk based ratio of 10.6%, and total risk based ratio of 11.5%. Mr. Dennis stated the terms of the merger were fair with Centennial Bank having evaluated the transaction and found it to be fair and reasonable and Bay Cities Bank obtained a fairness opinion and has deemed the transaction reasonable. Mr. Dennis stated the merger is not contrary to public interest as can be seen in the application. Mr. Dennis stated the holding companies of both banks have approved the merger transaction. Mr. Dennis stated the requirements of all applicable state and federal laws have been complied with.

Mr. Bob Birch with Centennial Bank stated this opportunity is in markets they have been seeking for quite some time and the Sarasota market, the Tampa market, and the St. Petersburg markets are all very strong. Mr. Birch stated they like the Bay Cities management team, which will remain intact, as well as the loan culture they have. Centennial's due diligence and the Bank Department examination supported their credit quality. Mr. Birch stated Bay Cities does a great job serving the market and participating in the community and events, and activities and Centennial would certainly encourage them to continue. Mr. Birch stated it's going to be accretive to shareholders from a financial stand point, but the market opportunities presented are substantial and Centennial looks forward to growing and expanding the market.

Mr. Zach McClendon asked why Bay Cities was looking for a merger partner.

Mr. Birch stated Bay Cities is trying to compete with the SunTrust Bank of Americas and the Wells Fargos, and they don't have the horsepower to do it. Mr. Birch stated the loans Bay Cities is able to make is in the \$2 to \$6 million dollar range and unable to meet customer needs to do \$6 to \$15 million, or multiple deals. Mr. Birch stated they don't have some of the electronic services on the consumer side, don't have the branch network to be competitive, and it would be a struggle to attract capital and to meet the customer needs, so the need existed to partner up with someone in order to continue to expand.

Mr. Randy Sims stated it is typical of banks this size that are on the market for sale. Mr. Sims stated they are only looking at banks this size that really make strategic sense for them as Centennial already spreads from Tampa to Orlando, and both are a small presence and they need to beef those up and this transaction allows for this. Mr. Sims stated Bay Cities is just like all the other banks their size that the cost and expense of keeping up with everything is getting to them, and it's frustrating with their legal lending limit with all the availability of really good loans out there. Mr. Sims stated Bay Cities' board reached a decision they really need to join someone else to be successful, and this is a very nice match-up with loan culture, as they are pretty conservative.

Mr. Zach McClendon stated the value of Home BancShares stock was at \$39. Mr. Sims stated it is about that today.

Mr. Zach McClendon asked how Centennial would compete with those big guys.

Mr. Randy Sims stated number one, they were a community bank and still operate the bank as a community bank with guys like Gary in Tampa running his organization as a community bank. Mr. Sims stated they still get out in the market, they have grills and cook burgers and continue to operate as a community bank even though they are approaching \$9 billion. Mr. Sims stated number two, they take all the things off their hands, such as the back room, and bring it to Conway, compliance, the regulatory side,

and centered all on the management of Home Bancshares and this will allow them to get out and be bankers again. Mr. Sims stated they are starting to see in Florida in some of those acquisitions they made, some of those failed institutions, that loan growth is greater than ever and attributable to bankers being out again versus stuck in a bank that is not going anywhere.

Mr. Zach McClendon asked approximately what are the assets in Florida.


Mr. Sims stated that Centennial is just over \$8 billion and about half of them are in Florida.

Mr. Zach McClendon asked if they hold any assets in Alabama.

Mr. Sims stated seven percent of Centennial's assets were from Alabama.

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

Being no further business, a motion was made by Gary Smith, seconded by Zach McClendon, to adjourn. Motion carried.


ELIZABETH BOWLES, CHAIRMAN
State Banking Board

ATTEST:


LUTHER GUINN, Secretary
State Banking Board


CANDACE A. FRANKS
Bank Commissioner

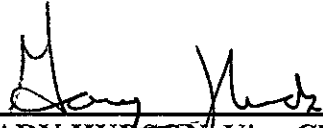
Board Members in Attendance:



ELIZABETH BOWLES, Chairman
State Banking Board

10-15-2015

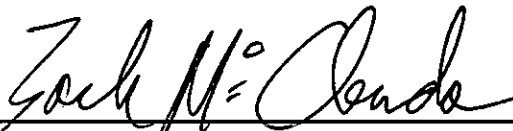
Date



GARY HUBSON, Vice-Chairman
State Banking Board

10-15-15

Date



ZACH McCLENDON, Member
State Banking Board

10/15/15

Date

JOHN FREEMAN, Member
State Banking Board

Date

Lana Hampton
Attended and voted by phone
Approved minutes by phone

LANA HAMPTON, Member
State Banking Board

09/24/2015

Date



GARY SMITH, Member
State Banking Board

10/15/15

Date

