

**REGULAR MEETING
OF THE
ARKANSAS STATE BANKING BOARD
JANUARY 21, 2016**

A regular 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 January 21, 2016. The following Board Members were present: Chairman Elizabeth Bowles, Gary Hudson, and Gary Smith. Board Members Lana Hampton, Zach McClendon, and John Freeman were called by phone and participated in the meeting by conference call. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioner Susannah Marshall, Chief Counsel Amanda Andrews, Certified Examinations Manager John Ashby, and Administrative Analyst Barbara Mahoney. Christian Olson from the Governor's office was also in attendance. Lynn LaSalle from Bushman Court Reporting was the recording reporter for the applicant.

Commissioner Franks opened the meeting. The first item of business was to elect Deputy Commissioner Susannah Marshall as Secretary to the Board for the next two Board Meetings in the absence of Deputy Commissioner Luther Guinn. Motion was made by Zach McClendon, seconded by Gary Hudson. Motion carried and the Commissioner concurred.

Secretary Susannah Marshall 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 was Jim Daniels with First National Bank of McGehee, McGehee, Arkansas. She then turned the meeting over to Chairman Elizabeth Bowles.

Next was the election of a 2016 Chairman and Vice-Chairman. Motion was made by John Freeman to elect Gary Hudson as Chairman and Gary Smith as Vice-Chairman. Motion was seconded by Zach McClendon. Motion carried and the Commissioner concurred.

Next was the approval of expenses for the Board. A motion was made by Elizabeth Bowles, seconded by Gary Smith, to approve the Board's expenses. Motion carried and the Commissioner concurred.

Next was the consideration of the Minutes of the December 16, 2015 Special Board Meeting. A motion was made by John Freeman, seconded by Zach McClendon, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

Next on the agenda was an application by First National Bank of McGehee, McGehee, Arkansas, to convert from a national bank to a state-chartered bank. Mr. Jim Daniels represented and spoke for the application.

Mr. Daniels: Thank you for the opportunity to come and present the application. I am the current President and CEO of the bank. Our board was formed in 1974 by a group of men in McGehee that felt that McGehee needed another bank in the community, because we thought there were some things that we could do. And mostly, we are very community-oriented. We believe that we offer something. We have a niche there that is met pretty well by our philosophy, which is great customer service. We want to be able to take care of everybody that comes in, call them by their first name, and also hopefully provide products that you could find in larger institutions. So as I said, we're very community-oriented. We probably give a hundred to two hundred hours a year in public service. We have a lot of our employees serve on several boards, and chairs on some of those boards, nonprofits.

We currently have six directors, with a combined experience of 80 years. One of those directors has been there since the beginning, Gibbs Ferguson, who is also counsel for the bank. We have four officers, 18 full-time employees, which includes the four officers.

The four officers have a combined experience of probably 70 years. I have been there for 25 years and I was promoted to President in 2007, and I'm the second President of the bank. Fred Denton was the founding president and also had been there since its inception.

Our board and their family members represent probably 50 to 60 percent of the ownership of the bank. So we are very well represented, very conservative. We feel that we have the ability to grow organically still in McGehee. We think there is some opportunity. We don't intend to necessarily branch out at this time, although part of the reason with the new name change, if the application is approved to First NaturalState, we wanted to not limit ourselves to Southeast Arkansas. As I said, we don't have any current plans to branch or to relocate or LPO or anything like that.

We are roughly 54 to 55 million in assets. Right now, Tier 1 capital is around 11.3 percent. We have always had a conservative dividend policy. We believe that in order to return the capital and to continue to build strong capital levels, in the event that we do decide to grow. Right now, as I said, we are an ag-based bank, so we're in a conservative mode right at the moment, based on what commodity prices are doing. If you have any questions, I will be glad to answer any.

Chairman Hudson: Does anybody have any questions for Mr. Daniels?

Mr. McClendon: I don't have any questions, but I think it's a smart move on their part to do this.

Mr. Daniels: I will add one thing that Gary Hudson and I visited before the meeting and we've been talking about this move for quite some time. Gary and I felt like it could be as long as ten to twelve years ago.

You know, at one point, there was just a connection to the national charter, since that's what we had originally been chartered under. You know, we feel now that the main thing is the advocacy for community banks that the State Bank Department provides. The increased loan limit also doesn't hurt. But those are the two main reasons we felt like it was prudent for us to apply to become a state bank.

Chairman Hudson: What is the status on your Federal Reserve application? Do you know?

Mr. Daniels: It is pending. All of the information has been sent in. We're talking to Dave Hubbard, so if it is approved, we'll be ready to go Federal Reserve, as well.

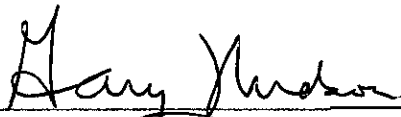
Chairman Hudson: I think it's a good move for you going to State-Fed. I think that most of your peers around you are in that situation. I think it would be a good mix for you.

Mr. Daniels: Exactly.

Chairman Hudson: Does anybody else have any other questions or comments? If not, I'll entertain a motion to approve such application.

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

Being no further business, the meeting was adjourned.

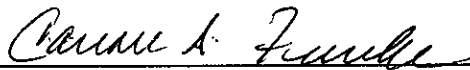


GARY HUDSON, CHAIRMAN
State Banking Board

ATTEST:

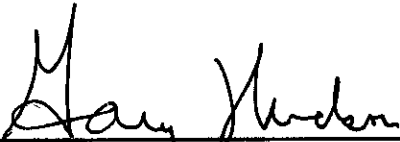


SUSANNAH MARSHALL, Secretary
State Banking Board



CANDACE A. FRANKS
Bank Commissioner

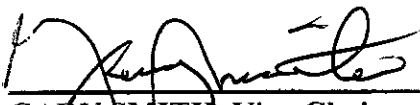
Board Members in Attendance:



GARY HUDSON, Chairman
State Banking Board

2-25-16

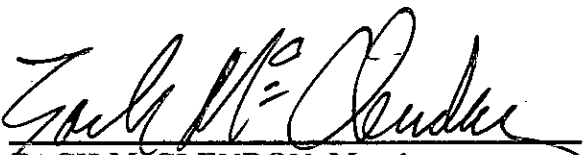
Date



GARY SMITH, Vice-Chairman
State Banking Board

2/25/16


Date



ZACH McCLENDON, Member
State Banking Board

2/25/2016

Date



ELIZABETH BOWLES, Member
State Banking Board

2/25/2016

Date

LANA HAMPTON, Member
State Banking Board

Date



JOHN FREEMAN, Member
State Banking Board

2/25/16

Date