

**REGULAR MEETING
OF THE
ARKANSAS STATE BANKING BOARD
JANUARY 19, 2017**

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 19, 2017. The following Board Members were present: Chairman Gary Hudson, Zach McClendon, Elizabeth Bowles, Randy Scott and Gary Smith. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioners Luther Guinn and Susannah Marshall, Chief Counsel John Ahlen, Certified Examinations Manager John Ashby, and Research Project Analyst Barbara Mahoney. Lynn LaSalle from Bushman Court Reporting was the recording reporter for the applicants. No representatives from the media were present.

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 Steve Stafford representing Anstaff Bank; Tracy French and Bob Birch representing Centennial Bank/Home Bancshares, Inc.; and Randy Dennis and Joshua Dennis with DD&F Consulting Group representing both Anstaff Bank and Centennial Bank. She then turned the meeting over to Chairman Gary Hudson.

First on the agenda was the election of a 2017 Chairman and Vice-Chairman. Motion was made by Randy Scott, seconded by Elizabeth Bowles, to elect Gary Smith as Chairman and Lana Hampton as Vice-Chairman for 2017. The motion passed unanimously and the Commissioner concurred. Chairman Gary Smith then presided over the meeting.

Next on the agenda was consideration of the Minutes of the December 13, 2016, Special Board Meeting. A motion was made by Gary Hudson, seconded by Elizabeth Bowles, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

Next was approval of expenses for the Board for 2017. A motion was made by Gary Hudson, seconded by Zach McClendon, to approve the Board's expenses. Motion carried and the Commissioner concurred.

Next on the agenda was an application by Anstaff Bank, Green Forest, Arkansas, to merge Twin Lakes Community Bank, Flippin, Arkansas, with and into Anstaff Bank, Green Forest, Arkansas. Mr. Joshua Dennis with DD&F Consulting Group, Little Rock, Arkansas, represented and spoke for the application.

Mr. Dennis stated the merger application was filed on November 7, 2016, and pursuant to A.C.A. § 23-48-503 of the Arkansas Banking Code, there are five items that have to be met for the transaction to be approved; 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 requirement for all applicable state and federal laws have been complied with.

Mr. Dennis stated the resulting institution will be well capitalized both before and after the proposed transaction with leverage ratios of 9.02% and 9.16% respectively. Mr. Dennis stated the terms of the merger were fair and the Board of Anstaff Bank has evaluated the transaction and found it to be fair and reasonable. Mr. Dennis stated the merger is not contrary to public interest as detailed in the application, and the application is not contrary to the laws as both parties have complied with the requirements of the Arkansas Banking Code. Mr. Dennis stated First National Bancorp is the sole shareholder of both Anstaff Bank and Twin Lakes Community Bank and has approved the merger, and there were no dissenting shareholders.

Mr. Dennis stated the requirements of all applicable state and federal laws has been complied with, and both Anstaff Bank and Twin Lakes Community Bank have complied with the notice and filing requirements.

Mr. Dennis stated a merger application has been filed with and approved by the FDIC, so pending approval today, they can consummate as soon as possible.

Mr. Steve Stafford with Anstaff Bank stated they have not been a state bank for very long, but have enjoyed what time they have been and appreciates the help with this. Mr. Stafford stated the merger of Twin Lakes Community Bank will make it much easier for Anstaff Bank. Mr. Stafford stated Twin Lakes Community Bank has a strong banking team and that all employees will be retained and all branch locations would remain open. Mr. Stafford stated that after the merger, they will be a \$570 million dollar bank with 12 offices in six contiguous counties. Mr. Stafford stated this would work real well for Anstaff Bank and they were real excited about the possibilities.

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

Next on the agenda was an application by Centennial Bank, Conway, Arkansas, to merge Bank of Commerce, Sarasota, Florida, with and into Centennial Bank, Conway, Arkansas. Mr. Joshua Dennis with DD&F Consulting Group, Little Rock, Arkansas, represented and spoke for the application.

Mr. Dennis stated the merger application was filed on December 2, 2016, and pursuant to A.C.A. § 23-48-503 of the Arkansas Banking Code, there are five criteria that have to be met for the transaction to be approved; 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 requirement for all applicable state and federal laws have been complied with.

Mr. Dennis stated the resulting institution will be well capitalized with a pre-merger leverage ratio of 9.42%, post-merger ratio of 9.26%, and one year out projected at 9.7%.

Mr. Dennis stated the terms of the merger were fair and the Board of Centennial Bank has evaluated the transaction and found it to be fair and reasonable. Mr. Dennis stated the merger is not contrary to public interest and both Centennial Bank and Bank of Commerce have complied with the requirements of the Arkansas Banking Code. Mr. Dennis stated Home Bancshares, Inc. is the sole shareholder of Centennial Bank, has approved the merger, and there were no dissenting shareholders. Mr. Dennis stated Home Bancshares, Inc. acquired Bank of Commerce through a 363 bankruptcy proceeding. Mr. Dennis stated the requirements of all applicable state and federal laws has been complied with, and they are still waiting for approval from the Federal Reserve.

Mr. Bob Birch with Centennial Bank stated they have been in Sarasota since last year when they acquired Bay Cities Bank, with about \$25 million in deposits and \$45 million in loans, and that Sarasota is a market they are interested in expanding, so when the opportunity came forth and the Board and management of Bank of Commerce were unable to get out from under the Consent Order, they chose the 363 bankruptcy route. Mr. Birch stated there was a stalking horse bidder out of Tennessee, but Centennial was the successful bidder at the bankruptcy hearing and has stepped into the stalking horse shoes as is required in a 363 bankruptcy. Mr. Birch stated they would acquire two new locations with one being in a new and growing area of Sarasota called Lakewood Ranch, which is across the street from a Centennial branch office, and the other being in a more established area called Cattlemen's.

Mr. Birch stated Bank of Commerce had about 30 employees and will move some of the backroom people into permanent positions, retain the sales positions, the lenders, the business development folks, and probably end up keeping 18 out of those 30. Mr. Birch stated the plan is to close the Bank of Commerce location that is across the street from the Centennial branch, and when the conversion is complete, Centennial's Sarasota assets will be \$200 million and deposits will be \$145 million, with \$130 million in loans.

Mr. Birch stated they were pleased with the management team, two strong lenders, a good market president, good branch staff and will expand services with mortgage to the market that Bank of Commerce was not doing.

Mr. Gary Hudson asked about contemplating a move into Manatee County and the main town in Manatee County.

Mr. Bob Birch stated the Lakewood Ranch location was kind of southeast of the main town in Manatee County, Bradenton, which is exploding with growth and they have looked at Manatee County for a number of years, but had not found a situation that fit either from a bid standpoint or an acquisition standpoint.

Chairman Gary Smith asked did Bank of Commerce just get loaded with development real estate at the wrong time.

Mr. Birch stated that was probably the short version of what happened and they were not able to work their way out of it.

Mr. Zach McClendon asked if the gentleman from Tennessee bid on the bank.

Mr. Birch stated yes, and there were 13 rounds of bidding and that the gentleman bid six times and we bid seven times.

Mr. McClendon asked if the gentleman from Tennessee was the next high bidder.

Mr. Tracy French with Centennial Bank stated they always had to go above the gentleman from Tennessee's bid as he always had the right to match their offer since he was the stalking horse.

Mr. McClendon asked how many locations they have in Florida now.

Mr. French stated this would take them to 70 locations in Florida and approximately 80 elsewhere.

Mr. McClendon asked about the percent of total assets in Florida.

Mr. French stated pushing 40 percent.

Chairman Smith asked about the biggest critical mass and in what area.

Mr. Birch stated North Florida.

Mr. French stated North Florida is a billion dollars of their assets that stretches from Pensacola all the way to Tallahassee; the Florida Keys are about \$330 million; and southeast, which is Fort Lauderdale, is the smallest at \$180 million, but if the acquisition next month is successful, that will add another \$400 million.

Chairman Smith stated there was still opportunities down there with banks.

Mr. French stated they were busy on opportunities, but whether they will culminate or not, only time will tell.

Mr. McClendon asked if there were still a lot of distressed banks in Florida.

Mr. French stated there are some that have capital issues that have been able to survive along this ride. Mr. French stated all the markets are growing and people are still moving into communities, the affordability is there and the prices have not increased back to where they were.

Mr. Birch stated there were some employment contracts signed with the stalking horse bidder that the FDIC was uncomfortable with and they were terminated by the three employees. Mr. Birch stated that if the FDIC accepts that and gives the green light to the Federal Reserve, hopefully it will all be resolved, but those contracts have been terminated.

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

Being no further business, the meeting was adjourned.

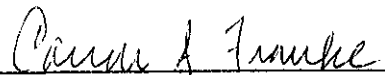


GARY SMITH, CHAIRMAN
State Banking Board

ATTEST:

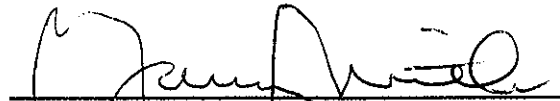


LUTHER GUINN, Secretary
State Banking Board



CANDACE A. FRANKS
Bank Commissioner

Board Members in Attendance:



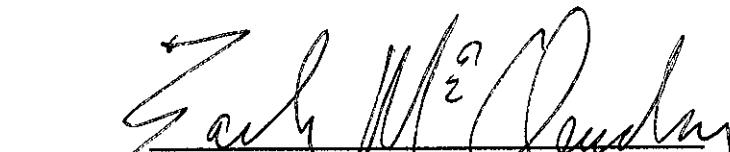
GARY SMITH, Chairman
State Banking Board

2-16-17
Date

Attended meeting by phone
Approved minutes by phone

LANA HAMPTON, Vice-Chairman
State Banking Board

Date



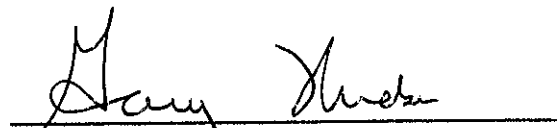
ZACH McCLENDON, Member
State Banking Board

2/16/17
Date

Replaced

ELIZABETH BOWLES, Member
State Banking Board

Date



GARY HUDSON, Member
State Banking Board

2-16-17
Date



RANDY SCOTT, Member
State Banking Board

2-16-17
Date