

**SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD
AUGUST 17, 2017**

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 17, 2017. The following Board Members were present: Chairman Gary Smith, Randy Scott, Zach McClendon, and David Leech. Lana Hampton and Gary Hudson were not represented. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioner Susannah Marshall, Deputy Commissioner/Chief Counsel John Ahlen, Assistant Deputy Commissioner Wilks Marshall, Examination Supervisor Gary Bush, Bank Certified Senior Examiners Gregg Qualls and Kevin Mosley, Executive Assistant to Commissioner Cynthia Nixon and Research Project 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 July 29, 2017. The notice was also given to the news media in accordance with state law.

Commissioner Franks opened the meeting. Commissioner Franks then asked the visitors and guests to stand and introduce themselves and state who they represent. Representing Centennial Bank, Conway, Arkansas: Stephen Tipton, Kyle Penter, Tracy French, Joshua Dennis, DD&F, Bob Fegtly, DD&F, Meg Johnston, Mitchell Williams. Representing Simmons Bank, Pine Bluff and First South Bank, Jackson Tennessee: Barry Ledbetter, Marty Casteel, George Makris, Jr., Patrick Burrow, George Makris, III. The Commissioner then turned the meeting over to Chairman Gary Smith.

First on the agenda was the election of a new Secretary to the State Banking Board. Chairman Smith nominated Cynthia Nixon, Executive Assistant to the Commissioner, for this

position. A motion was made by Zach McClendon and seconded by David Leech. Motion carried and the Commissioner concurred.

Next on the agenda was consideration of the Minutes of the June 22, 2017, Special meeting. A motion was made by Zach McClendon and seconded by Gary Smith, 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 Stonegate Bank, Pompano Beach, Florida, with and into Centennial Bank. Mr. Joshua Dennis with DD&F Consulting Group represented and spoke for the application.

Mr. Dennis: On April 26th, Centennial filed a merger application with your office for the merger of Stonegate into Centennial. And according to §23-48-503 of the Arkansas Banking Code, we have to demonstrate five things to the board before you all can approve it.

The first thing we must demonstrate is that the merger does adequately provide – or does provide an adequate capital structure. The resulting institution will be well-capitalized both before and after the transaction. Our pro formas show a pre-merger leverage ratio of 10.23 and a post-merger of 9.72%. So it does stay well-capitalized.

Second, we must demonstrate that the terms of the merger are fair. The boards of both Centennial and Stonegate have evaluated the transaction and determined that the terms are both fair and reasonable.

The third thing that must be demonstrated is that it is not contrary to public opinion. Or public interest. The boards of both Centennial and Home – Centennial and Stonegate have looked at the transaction, and they have determined that is not contrary to public interest. The applications you have show also that it is not contrary to public interest.

Fourth, the merger must show – or must adequately provide for dissenters' rights. This merger does adequately provide for dissenters' rights.

Lastly, we must demonstrate that this merger – all the requirements of state and federal banking laws have been complied with. Centennial and Stonegate have complied with all the notice and filing requirements of federal and state banking law. I have filed an interagency bank

merger application and an FR Y-3 application with the Federal Reserve in St. Louis on April 26th, we have not gotten approval for those yet, but we do anticipate that coming within the next couple of weeks, so hopefully end of August, early September.

Mr. Dennis yielded the floor to Mr. French for additional information on this transaction. Mr. French: Most of you probably know we've been down in Florida for a little while now and kicking some tires along the way and caught a few of the cars that we've kicked. Stonegate, which will be our largest transaction, is a bank that I was introduced to about three or four years ago and plan to develop a relationship. We came up and made a presentation, with the staff here back at the first part of the year to show what the transaction could do for Home BancShares and Centennial Bank. We have respected all of the regulations that were top priority for us as we addressed those. We are addressing a lot of those today, the CRA and mortgage lending and all of the things there, and you will see those. Our chief risk officer doesn't let us get off the path at all on that anymore.

This \$3 billion bank put us up to about \$14 billion in the market, put us just a little over 50 percent more in Florida than we do in our other regions that we have today. The teams have been working extremely well together, probably the best one of the 21 that we have ever worked with. It will all fall apart after we merge, as you all probably know. We have got an outstanding team and ready to take care of the customer base down in those markets.

Mr. Scott: Looks like the BSA part will be a big challenge there. Are they the same regulatory agencies that you are under or will it be a different regulatory agency?

Mr. French: FDIC and the Florida State Bank Department. The bank is a lot more manual than what we will bring to the table. We are in no hurry to make any adjustment, because we know the sensitivity of that. We know it has to be right.

We plan on increasing our staff down there about 50 percent based on what we know today. We feel very comfortable with what we are getting and understand that we have got to continue to go and to grow and make the management problem a top priority. You are in south

Florida, a little different than Gould, Arkansas. But maybe not.

Chairman Smith: Doesn't take near as many branches to pick up those deposits down there, either, does it?

Mr. French: You know, the opportunity is there, Gary.

Chairman Smith: It's unbelievable.

Mr. French: It's there. You have got to pay for it a little bit higher than what we would like to do, but the opportunity is there. Stephen, our operations officer, works well with their staff and it is uniquely different to be able to know what opportunities we can do if we want to pay for them.

Mr. McClendon: Is the real estate in Florida still overblown as far as the price of it compared to the rest of the country?

Mr. French: Well, Mr. McClendon, everything is too high for me and you all the time, but, you know, I use the example of north Florida, and I tell the staff. We had a loan meeting yesterday, and some of the houses that are along that 30A, are selling for X amount of dollars. I was there in 2010, 2011 and 2012 every day wondering, where is the buyer? So we still go back, and we do the appraisal or analysis of our loans today. We even go back to see what it did back in 2010, 2011 and 2012, just to make sure. Prices have escalated. The thing that we see with all loans, even the ones we don't get to do or don't do, there's still skin in the game, I call it, so the borrowers are still coming in – or the buyers – and paying, some of them, cash, and a lot of them are putting real skin in the game, to where when I was there, first there, it was all equity on equity on equity and there was no money in a deal.

So you are still seeing that today, and I think that is the great part, but we pay attention to what appraised values are and we go back and look and see what they were whenever we couldn't sell the property.

One example was a house we looked at. It was in the 30A market, sold for a couple of million dollars. I didn't have that house back in 2011, but I had the house next door to it and I

could not get anybody to make a bid on it for a long time. It ended up selling for a million dollars. So now is it worth \$2 million?

Mr. Leech: The Cuba operations? I notice you're in for just two years on that. Is there a reason for that?

Mr. French: You know what kind of issue do we have here? Our compliance team, myself, Mr. Allison, have analyzed it and reviewed it, it is pretty vanilla. We don't have operations in Cuba. We don't have a branch there or anything like that. I am more worried about south Florida than I am Cuba. But, it's our intention that hopefully that goes on forever, if the opportunity is there. It wasn't a big factor as far as pricing and doing what we did here. It was not making any money at the time. It does make money today, mainly wiring money in and out of there for American Airlines and Delta. But it's not where we plan on closing it at the end of the two years, but to just evaluate it constantly.

Mr. Leech: And my last question is, did Allison or did Adcock come up with this \$36 million termination fee?

Mr. French: I have to take part of that. I don't know if that was smart or not.

Chairman Smith: Is this the largest acquisition you all have made down there?

Mr. French: Yes, sir. The Liberty Bank was 2.8, I believe so this should be 3.1.

Mr. McClendon: What are your total assets in Florida now?

Mr. French: It will be about 5.6 billion.

Mr. Penter: Loans and deposits.

Mr. French: On deposits, although it is a little over 50 percent.

Mr. Penter: Pro forma. They are a little over 2.6, 2.7 billion today in Florida. And it will add about 2.7 to that, so we will be pro forma about 5 1/2.

Chairman Smith: And you feel like the management team will hold together?

Mr. French: Yes, sir. We are fortunate to have a great team down there as we speak, and most all of these locations are not in a new territory. It's the best one out of 21. Again, these guys know sitting behind me that it could change day two. But this relationship has been by far the

best we have had forever, and they have bought ten institutions in the past, so they understand what has to happen and needs to happen in support and we feel very confident that Dave Selaski, who is the leader of it now, will fit right in with our company.

Chairman Smith: I understand. Any further questions? If not, I'll entertain a motion to approve the application.

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

Next was an application by Simmons Bank, Pine Bluff, Arkansas, to merge First South Bank, Jackson, Tennessee, with and into Simmons Bank, Pine Bluff, Arkansas. Representing the bank was Attorney Pat Burrow.

Mr. Burrow: We are here for the application of the merger of First South Bank, a Tennessee-chartered bank, into Simmons Bank. The state application was filed on May 31, 2017 and then a Fed application was filed the same date. The Department and Fed conducted their reviews. The Fed has approved our acquisition, or the merger. Approval was received on July 12, 2017.

We entered into an agreement with the holding company of First South Bank, which is Hardeman County Investment Company, to acquire them November 16th. We filed our applications and actually closed on that acquisition on May 15, 2017. We then filed with the Bank Department for the merger of the two banks. Since we have acquired the holding company, it has been operating as a separate subsidiary, and this will be our second step in bringing that bank into Simmons Bank. I will turn the floor over to Marty to give us a little color on the actual acquisition terms.

Marty Casteel: This is going to have about \$480 - \$490 million in assets to our balance sheet combined, so we will be at the \$9 billion level. We really aren't picking up any additional risk that we can identify in the market. The BSA challenges in Jackson are not going to be any greater than what we are facing because we are already in that market. We have been doing a lot of work since we had the opportunity to join the state banking group a little over a year ago.

We have gone through a lot of examinations with Wilks and his people in the last year. We feel like as a bank, as a company, we are very much prepared for the additional risk that comes with this additional growth.

We are excited to get this completed. We have been training with their group. We have had a group of our bankers with First South for the last couple of months in anticipation of doing the systems conversion the weekend of Labor Day. We are ready and we hope you will favorable consider our application this morning.

Mr. McClendon: What is the population of Jackson?

Mr. Casteel: It's about 60,000.

Mr. Burrow: Metro area.

Chairman Smith: But they are in surrounding cities around there, Dyersburg and

Mr. Casteel: Brownsville

Mr. Scott: Looks like a really clean bank. What was their reasoning of selling? Ownership?

Mr. Casteel: Yeah. I think it's concentration of ownership and ready to do something else, and I think we offer them a good opportunity to keep some of their key employees engaged in banking, and some of the owners can get a little more liquidity in their stock. So normal transactions.

Mr. Scott: Looks like a really good-looking bank.

Mr. Casteel: It is a good bank, and we are keeping, at least for a couple of years, the current CEO and president, and the second person in command is really good, and he is engaged with us, and we have high hopes for him as the years pass.

Mr. Leech: Have they already replaced the president that was 51 that died unexpectedly?

Mr. Casteel: He was with us. We have not. That's one of the real good things about this

combination. We are bringing in some key leadership positions in that market that will really help us.

Mr. McClendon: Jackson has quite a few industrial/manufacturing operations, I think, up there, don't they?

Mr. Casteel: Yes

Mr. McClendon: How much agri as a percent of the loans and so forth?

Mr. Casteel: Well, their agri portfolio is a small concentration for them.

Mr. Burrow: It's mainly in the Brownsville area.

Mr. Casteel: Brownsville, which we are already in that market, but we have no agri loans there. So it's less than 2 percent.

Chairman Smith: Any other questions? If not, I will entertain a motion to approve the application.

Motion was made by David Leech, seconded by Zach McClendon 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:

**CYNTHIA NIXON, Secretary
State Banking Board**

**CANDACE A. FRANKS
Bank Commissioner**

Board Members in Attendance:

GARY SMITH, Chairman
State Banking Board

Date

LANA HAMPTON, Vice-Chairman
State Banking Board (*not in attendance*)

Date

ZACH McCLENDON, Member
State Banking Board

Date

GARY HUDSON, Member
State Banking Board (*not in attendance*)

Date

DAVID LEECH, Member
State Banking Board

Date

RANDY SCOTT, Member
State Banking Board

Date