

**SPECIAL MEETING  
OF THE  
ARKANSAS STATE BANKING BOARD  
December 7, 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 December 7, 2017. The following Board Members attended the meeting by conference call: Chairman Gary Smith, Zach McClendon, Randy Scott, Gary Hudson, and David Leech. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioner Susannah Marshall, Deputy Commissioner and Chief Counsel John Ahlen, Secretary to the Board Cynthia Nixon, Research Project Analyst Barbara Mahoney, Bank Certified Senior Examiner Kevin Mosley. Carlton Saffa from the Governor's office was also in attendance. Kristi Gray 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 October 31, 2017. The notice was also given to the news media in accordance with state law.

Commissioner Franks opened the meeting and declared a quorum was present. Commissioner Franks then asked the visitors and guests to stand and introduce themselves and state who they represent. John Calhoun and Ken Calhoun with Hilburn Law Firm representing Arvest Bank, Bob Kelly, Executive Vice President of Arvest Bank, Karla Payne, Chief Financial Officer, Arvest Bank (by phone), Gregg Eichner and Bruce Crum with McAfee & Taft representing Arvest Bank (by phone), Larry Bates, Chief Executive Officer of Heartland Bank and representing Simmons Bank, Marty Casteel, Simmons Bank, Patrick Burrow, General Counsel, Simmons Bank, George Makris, III, Simmons

Bank, Steve Wade, on behalf of Heartland Bank and also Simmons Bank, Randy Dennis, Kyle Shadid and Josh Dennis, DD&F Consulting. She then turned the meeting over to Chairman Gary Smith.

First on the agenda was consideration of the Minutes of the August 17, 2017 Special Board Meeting. A motion was made by David Leech, seconded by Zach McClendon, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

Next on the agenda was an application by Arvest Bank, Fayetteville, Arkansas for the merger of Bear State Bank, Little Rock, Arkansas with and into Arvest Bank, Fayetteville, Arkansas.

**MR. KELLY:** Executive Vice President and Chief Risk Officer of Arvest Bank, We appreciate the Board's time today to consider our application. The people who are with me and representing Arvest Bank introduced themselves a while ago. I would just say that Ken Calhoun and John Calhoun with the Hilburn Firm represent us on the contract with Bear State Bank. Bruce Crum and Gregg Eichner from McAfee & Taft are handling the applications and banking loan matters and Karla Payne is our Chief Financial Officer and I am the Chief Risk Officer. I would turn it over to Gregg Eichner to go through the findings of fact and conclusions, and then we would be pleased to respond to questions.

**MR. EICHNER:** I just wanted to briefly address the five statutory criteria for approving the merger of Bear State Bank into Arvest Bank, and please interrupt if you have any questions while I go through these criteria. Pursuant to A.C.A. § 23-48-503 of the Arkansas Banking Code, the Commissioner shall approve the merger application if both the Commissioner and the Board find the following five criteria have been satisfied. One, the proposed merger must provide an adequate capital structure; two, the terms of the merger must be fair; three, the merger is not contrary to the public interest; four, the merger adequately provides for dissenter's rights; and five, the requirements for all applicable state and federal laws have been complied with.

**So, for the purposes of seeking approval of this proposed merger, we present to the Commissioner and the Board the following: One, Arvest Bank as the bank surviving the merger will be well-capitalized subsequent to the merger. Arvest Bank's tier one leverage ratio will be 7.38 percent and its tier one risk-based capital and total risk-based capital ratio will be 10.68 percent and 11.73 percent, respectively.**

**Two, the terms of the merger are fair. The respective boards of Arvest Bank and Bear State Bank have evaluated the merger and found it fair and reasonable and the sole shareholders of each of those banks also approved the merger.**

**Three, the merger is not contrary to public interest. Both Bear State Bank and Arvest Bank have complied with the requirements of the Arkansas Banking Code. And Bob Kelly, can address any questions on how the merger will enhance the public availability of financial services.**

**Four, the merger adequately provides for dissenter's rights. Technically, Arvest Holdings, Inc., and Bear State Financial, Inc., as the sole shareholders of Arvest Bank and Bear State Bank, respectively approved the merger. There were no dissenting shareholders because they were the sole shareholders. Dissenter's rights were provided for in the transaction of the acquisition of Bear State Financial, Inc. The shareholders of Bear State Financial, Inc., approved the transaction with Arvest Bank at a special meeting held on November 15, 2017. At that meeting, 99.6 percent of the shareholders voted for the transaction. Only 127,617 shares voted against the transaction.**

**And for the final criteria, number five, each of Arvest Bank and Bear State Bank has complied with the requirements of all applicable state and federal law in connection with the merger.**

**So based on the foregoing, Arvest Bank respectfully requests the Commissioner and the Board approve the proposed merger. And all of us are available to answer any questions you all might have.**

**MR SMITH:** Any questions from the board? Hearing no questions, I will entertain a motion to approve the merger of Bear State Bank into Arvest Bank.

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 Simmons Bank, Pine Bluff, Arkansas for the merger of Heartland Bank, Little Rock, Arkansas with and into Simmons Bank, Pine Bluff, Arkansas.

**MR. SMITH:** Thank you. We will move on to Simmons Bank, Pine Bluff, the merger of Heartland Bank into Simmons Bank.

**MR. BURROW:** I will make a presentation on behalf of Simmons Bank. I have with me Marty Casteel and George Makris, III, from Simmons Bank and Larry Bates and Steve Wade on behalf of Heartland Bank are available to answer any questions when we conclude.

I will give a little brief history on this transaction because it is a little bit out of the ordinary. Simmons Bank extended some credit to Rock Bancshares, Inc., secured by the stock of Heartland Bank. Later, Rock Bancshares, Inc., defaulted on the payment of the indebtedness and Simmons Bank conducted a UCC sale of the Heartland Bank stock on August 28, 2017. Simmons Bank was a successful bidder at the sale and thereby became the sole shareholder of Heartland Bank. The long-term plans of Simmons Bank did not include retaining Heartland Bank as a separate operating bank. Shortly after the acquisition, they began a marketing effort in order to sell the bank, either in whole or in part.

As part of the ultimate resolution plan, we proceeded to file a merger application to either merge the bank into Simmons Bank, or, if part of it was sold, to merge the remaining piece into Simmons Bank as an ultimate resolution for the bank. After the merger application was filed, we received a bid that we determined to be acceptable for deposits, loans, and certain branch locations of Heartland Bank and we are proceeding a

**this point in time to finalize a document for the branch purchase and sale of assets of the organization. There will be some remaining assets not involved in that sale transaction.**

**After reconsidering the contingent liability risk associated with Heartland Bank, particularly in light of the recent lawsuit filed by a former insider against the bank, we have determined that we will look at alternatives as well as the merger transaction in order to minimize the risk to Simmons Bank of the ultimate resolution of the transaction.**

**So, we are requesting approval of the merger, but we want to be clear that it is at this point a backup plan for us and that it may or may not be consummated after approval.**

**Just to touch briefly on the statutory requirements for approval of the merger, Heartland Bank was and is a troubled bank. On November 8, 2017, Simmons Bank injected capital into the bank in order to bring it up to an adequately-capitalized institution pursuant to the federal corrective action guidelines. After merger with Simmons Bank, Simmons Bank is a well-capitalized institution, the resulting bank would also be well-capitalized on a continuing basis. There have been no material changes in the capital of Heartland Bank since the November 8, 2017 capital injection.**

**The terms of the merger are fair. Simmons Bank is the sole shareholder of Heartland Bank and Simmons First National Corporation as sole shareholder of Simmons Bank has approved the terms of the merger and it is unanimously approved by the shareholders. The merger is not contrary to the public interest. In fact, the resolution of a troubled bank is consistent with the public interest in maintaining and promoting financial institutions within the State of Arkansas.**

**There were no dissenters. Again, we had two sole shareholders of the institutions, both of which voted 100 percent of their shares in favor of the merger. We submit that all the federal and state requirements have been complied with. We have been advised by the Federal Reserve staff that an approval letter for the merger was issued on December 5, 2017. We have not yet received it, but we understand that it is out there. With that, we would respectfully request your approval, and we are here to answer any questions that you may have.**

**MR. SMITH:** As it stands right now, we are going to vote to approve this, but I was reading through this material, you may keep the branches and so forth operating as they are, pending possibly, on a different outcome than if you decide to dispose of the assets?

**MR. BURROW:** That is correct. We anticipate that the branch purchase and sale arrangement would close likely in mid-February. At that point in time we will work with the staff of the bank department to work through the potential of a voluntary liquidation of the bank as opposed to a merger.

**MR. SMITH:** Any other questions?

**MR. McCLENDON:** I think this is a have-to situation. No questions.

**MR. SMITH:** I agree. I think you did all the regulators a big favor. I will entertain a motion to approve the merger.

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, a motion was made by Zach McClendon, seconded by Randy Scott, to adjourn. Motion carried.

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 by conference call:**

---

**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**

---

**Date**

---

**DAVID LEECH, Member  
State Banking Board**

---

**Date**

---

**RANDY SCOTT, Member  
State Banking Board**

---

**Date**