

**REGULAR MEETING  
OF THE  
ARKANSAS STATE BANKING BOARD  
October 17, 2019**

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 October 17, 2019. The following Board Members were present: Randy Scott, David Leech, D. Scott Miller, Todd Smith, and Ronald Mobley. Lana Hampton was not in attendance. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioner Susannah Marshall, Deputy Commissioner and Chief Counsel John Ahlen, Certified Bank Senior Examiner Gregg Qualls, Secretary to the Board Cynthia Nixon, Administrative Analyst Lisa Smith and Lynn LaSalle from Bushman Court Reporting was the recording reporter for the applicants. No media representatives were present.

Bank Commissioner, Candace A. Franks, called this Regular Meeting of the State Banking Board. Notice of the Regular Meeting was sent by regular mail to each member of the State Banking Board on September 10, 2019. 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 asked the visitors and guests to stand and introduce themselves and state who they represent. Representing Farmers Bank and Trust Company, Magnolia, Arkansas were: Robert Smith, Friday Law Firm, Chief Financial Officer Drew Chandler, President and CEO Chris Gosnell, Vice Chairman and Legal Counsel Bruce Maloch. Representing Bank of Prescott, Prescott, Arkansas was CEO John Brannan. Representing First Financial Bank, El Dorado, Arkansas were: Robert Smith, Friday Law Firm, and President and CEO Chris Hegi. Representing First National Bank of Wynne, Wynne, Arkansas was: President Sean Williams.

**CHAIRMAN SCOTT:** Consideration of the Minutes of the August 22, 2019 Special Board Meeting. A motion was made by David Leech, seconded by Todd Smith, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

**CHAIRMAN SCOTT:** We have an application by Farmers Bank and Trust Company, Magnolia, Arkansas to merge Bank of Prescott, Prescott, Arkansas, with and into Farmers Bank and Trust Company, Magnolia, Arkansas.

**MR. TODD SMITH:** I would like to note on the record that I am not going to participate in the discussion, and I am not going to vote in the matter on Farmers Bank and Trust Company, Magnolia only. Thanks.

**CHAIRMAN SCOTT:** Who would like to speak on behalf of Farmers Bank and Trust Company, Magnolia?

**MR. ROBERT SMITH:** I am Robert Smith. I work for Friday, Eldredge and Clark. I appreciate you all entertaining this application this morning, and, as mentioned, Mr. Gosnell, Mr. Maloch, and Mr. Chandler are here on behalf of Farmers Bank and Trust Company, Magnolia, as well as Mr. Brannan on behalf of Bank of Prescott. To give you some background in addition just to what is set out in our application that was filed here a few months ago, the parties entered into a merger agreement on May 20, 2019 which provides for Bank of Prescott to be merged into Farmers Bank and Trust Company, Magnolia, with Farmers Bank and Trust Company, Magnolia as the surviving entity. Farmers Bank and Trust Company, Magnolia intends business as usual at the current single location in Prescott, Arkansas, without any changes. From a timing standpoint, the planned closing date we are shooting for is November 8, 2019, pending approval, obviously, the Bank of Prescott shareholders meeting is scheduled to be held at the holding company level on the Thursday November 7, 2019. So just for some background at the federal level, what we have been through with the Federal Reserve, we filed the merger application for the banks on June 21, 2019, and the Federal Reserve Bank also required a separate application for the holding company merger that is part of the transaction. We also filed that the same day. That was roughly four months ago, as you can see, and we had one item that warranted additional kind of review by the Federal Reserve Bank was the competitive analysis. So Farmers Bank and Trust Company, Magnolia and Bank of Prescott both operate in what the Federal Reserve Bank defines as the Hope banking market, which essentially includes all of Hempstead and Nevada Counties, because of the way the objective formula and review works, that resulted in this application going before the Federal Reserve Board of Governors in DC. We had some back and forth over the last few months. We had a lot of assistance from staff with the State Bank Department, which we greatly appreciate, and finally had an order issued on the 11th approving the transaction, both the holding company and the merger of the banks. And so we have that behind us. We felt like we had a good position regarding mitigating factors from a competitive standpoint and so finally got that approval. But again, I really appreciate the staff assistance with that as we kind of worked through those issues. We filed our application with the State Bank Department on June 24, 2019. We received the bank merger application you all have before you. On June 26, 2019, the Commissioner waived the requirement for an additional application at the holding company level, given that we will merge the bank simultaneously. We have also had recently, earlier this month, approvals for a special dividend by Farmers Bank and Trust Company, Magnolia to close the transaction and then also a special dividend by Bank of Prescott which is outlined in the merger agreement. As you all are well aware, there are five statutory factors for approval by the board and by the Commissioner for a bank merger such as this. And so I will just kind of walk through those five, and we can answer any questions anyone may have regarding those. The first is that the merger provides for adequate capital structure. Farmers Bank and Trust Company, Magnolia is well capitalized both before and after the transaction, as outlined in your application, so we believe that factor is satisfied. The second is that the terms of the merger are fair, and I can tell you that the terms of this transaction negotiated at arm's length by the parties. Both parties are represented by counsel. Each of the respective boards have approved the transaction as fair, and, as I mentioned, Prescott has a shareholders meeting set for November 7, 2019, and that is the holding company shareholder meeting for approval. We believe that factor is also satisfied in this transaction.

The third is that the merger is not contrary to the public interest. As you all know, Farmers Bank and Trust Company, Magnolia and Bank of Prescott both have a long history of serving the communities in southwest Arkansas. We expect business as usual in that regard. We think that it will be beneficial to the residents of Prescott particularly, given the broadened range of products and services that they will have access to once the transaction is finalized and closed. And as I have mentioned, there really are no anticompetitive effects, even though there is some overlap within that Hope banking market. The fourth factor is that the proposed merger adequately provides for dissenters' rights, and, as noted in our application, there are provisions for dissenters' rights should anyone exercise those rights in the transaction. We have not heard of anyone intending to do that and do not anticipate any, but they would certainly have the right to do that prior to November 7, 2019. And then finally, the requirements of all applicable state and federal laws have been complied with. As mentioned, we are approved at the federal level, and then, pending approval, hopefully today we will be approved at the state level, so we can assure you that factor has been satisfied, as well, satisfying all five of the factors under the statutory requirements. We will certainly take any questions. I will turn it over first, though, to Mr. Gosnell to say a few words.

**MR. GOSNELL:** Yeah. Farmers Bank is 113 years old. The relationship with Mr. Brannan and the family is a great fit for our market. It is just an extension of the footprint. We plan to bring some services that market does not offer. Some of concern may be our capital level. This will take us to around nine percent. But we feel rapid growth on that capital that we've been able to do after converting to a C corporation will take us back up pretty quick.

**CHAIRMAN SCOTT:** Any questions from the board? If not, we will entertain a motion to approve the application.

**MR. MILLER:** I make a motion to approve.

**CHAIRMAN SCOTT:** Motion and second?

**MR. MOBLEY:** Second.

**CHAIRMAN SCOTT:** Any further discussion? All those in favor, signify by saying "aye."

**BOARD MEMBERS:** Aye.

**CHAIRMAN SCOTT:** The minutes will reflect that Todd Smith will abstain.

**COMMISSIONER FRANKS:** The Commissioner concurs. Congratulations, gentlemen.

**MR. GOSNELL:** Thank you.

**CHAIRMAN SCOTT:** Next we have an application by First Financial Bank, El Dorado, Arkansas to merge The First National Bank of Wynne, Wynne, Arkansas with and into First Financial Bank, El Dorado, Arkansas.

**MR. ROBERT SMITH:** And I will speak on behalf of First Financial Bank, El Dorado, also. Mr. Hegi is here, and Mr. Williams, on behalf of First Financial Bank, El Dorado. This transaction was signed up on July, 18, 2019. The parties entered into a merger agreement that, as the application indicates, is structured in a similar manner with the holding company merger transaction and merger of the banks. The plan closing date is November 1, 2019, is what we are working towards, and, pending approval today, we will be able to wrap up on that date. The First National Bank of Wynne shareholder meeting at their holding company level is set for October 22, 2019, so that will happen next week. At the federal level, we filed the merger application for the banks on August 13, 2019, and we received approval on September 23, 2019 for the transaction. The Federal Reserve Bank did waive the requirement of a separate holding company application on this transaction, so that was not an issue. Also at the federal level, because of the capital raised to fund the transaction, we were required to file a change-in-bank-control application for a particular shareholder family group, and that was filed on September 9, 2019. We have been assured that we will have approval of that by early next week, so that will work for our intended November 1, 2019 closing date. And also, The First National Bank of Wynne operates a trust department. First Financial Bank, El Dorado has never operated or never had a trust operation, so we had an amendment recently with the department to allow for that under our charter. We also had to file essentially a letter application with the Federal Reserve for approval of that business line. We have been assured that will be approved by October 22, 2019. So with those items in place, we will have full approval at the Federal Reserve Bank level. With the Bank Department, we filed our application August 14, 2019, the bank merger application, and then I mentioned the charter amendment which was approved on October 8, 2019, and, of course, we filed the separate application for trust powers back in September, as well.

**DEPUTY COMMISSIONER MARSHALL:** And that was approved as of October 16, 2019.

**MR. ROBERT SMITH:** And so the same five factors that we have to look at for action by the board and the Commissioner on the transaction, and so I will just walk through those. The first is the merger provides for adequate structure. Again, First Financial Bank, El Dorado, as outlined in our application, is well capitalized and will remain so after closing on the transaction, so we believe that factor is satisfied. The second is that the terms of the merger are fair. In this transaction, First National Bank of Wynne conducted an auction process. They were advised by Olsen Palmer, which is an investment banking firm. First Financial Bank, El Dorado ultimately was chosen as the bidder to move forward with that transaction, and so we believe that evidences the fairness of the overall terms of the deal. In addition, as you may have seen in the merger agreement, there was a requirement that First National Bank of Wynne obtain a fairness opinion from Olsen Palmer, and that was delivered a month or so ago, but it opines as to the fairness of the terms of the transaction for the shareholders of First National Bank of Wynne. So we believe that fairness as to price and fairness as to procedure has been established there. First National Bank of Wynne's shareholder meeting is going to be held on October 22, 2019, so approval would happen on

that day. The third factor is the merger is not contrary to the public interest. Again, both of these banks will have a strong history of commitment to their communities, including the low-income customers. We do not see any changes in the services or products that are offered and believe it will be beneficial to the residents in the markets that are impacted. There were no overlapping markets between First Financial Bank, El Dorado and First National Bank of Wynne, so we did not have any competitive issues or even really necessary review as far as that issue is concerned. The fourth factor is that the proposed merger adequately provides for dissenters' rights. And again, we have provided for that in the merger documentation. If any First National Bank of Wynne shareholders decide to exercise those, they have the opportunity to do so by October 22, 2019. And then finally, the requirements of all applicable federal and state laws have been complied with. Again, at the federal level, we are waiting only on the approval of the trust powers application and then the change-in-bank-control application, both of which we have been assured will be approved within the next few days. And beyond that, we are ready at the federal level to close, and then at the state level we have submitted all applications necessary and are just awaiting approval. And I will turn it over to Mr. Hegi and Mr. Williams, if they have anything to say.

**MR. HEGI:** I am Chris Hegi with First Financial Bank, El Dorado. Thank you very much for your consideration. I guess it was last fall our bank had a strategic planning meeting, as many do, and it was decided that we would grow our retail footprint strategically. And have been visiting with Sean Williams 18 to 20 months ago. So we have worked on this a long time. It is truly a good fit for us. We were looking for somebody that could help us with liquidity but also complement some of our lending lines. With their agreement, that works really, really well. We feel like we can bring some things to them, to complement what they are doing, as well. So our group is excited about it. It is a big deal for us. And again, thank you for your consideration.

**MR. WILLIAMS:** My only comment would be is that we think First Financial Bank, El Dorado is just a great fit for us. And when I say a "great fit," that is something we have told our folks from the very beginning, and I am talking community-wise and also internally, from a people standpoint. And we are real excited about it. We have been in Wynne since 1915. And like a lot of community banks, we are in the middle of everything that goes on in town. And I can tell you I am comfortable we are going to continue to be in the middle of things, because we really line up well with First Financial Bank, El Dorado, so we are real excited.

**CHAIRMAN SCOTT:** Any questions from the board?

**VICE-CHAIRMAN LEECH:** I take it you are going to expand the trust services into El Dorado now?

**MR. HEGI:** We are looking at it. We need to decide what we are going to do with that. We are not in that business now. We are going to get in and really see what is involved, what additional resources need to be in place. There is a need. We get a lot of questions about it. We are not in that business, we see that is an opportunity, but we need to really look at it first.

**VICE-CHAIRMAN LEECH:** I am really surprised you were not in it. I thought you were in it.

**MR. HEGI:** We just never have. But there is some others there that have been in it awhile, there is some opportunity there as you are well aware.

**CHAIRMAN SCOTT:** Any other questions?

**MR. SMITH:** I make a motion to approve.

**CHAIRMAN SCOTT:** We have a motion. Second?

**MR. MILLER:** Second.


**CHAIRMAN SCOTT:** Any further discussion? All those in favor, signify by saying "aye."

**BOARD MEMBERS:** Aye.

**COMMISSIONER FRANKS:** The Commissioner concurs. Congratulations.

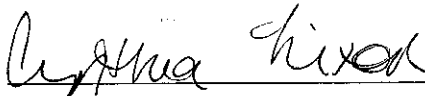
**MR. HEGI:** Thank you.

Being no further business, a motion was made by Todd Smith, seconded by D. Scott Miller, to adjourn the meeting. Motion carried. Commissioner concurred.

  
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RANDY SCOTT, Chairman  
State Banking Board

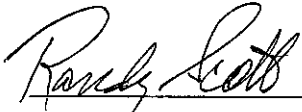
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Date

ATTEST:

  
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CYNTHIA NIXON, Secretary  
State Banking Board

  
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CANDACE A. FRANKS  
Bank Commissioner

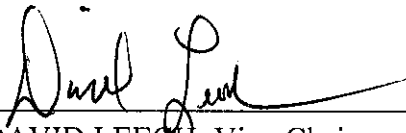
Board Members in Attendance:



RANDY SCOTT, Chairman  
State Banking Board

1-6-20

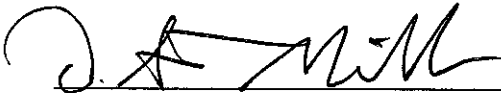
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DAVID LEECH, Vice-Chairman  
State Banking Board

1-6-20

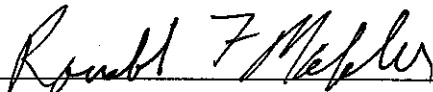
Date



D. SCOTT MILLER, Member  
State Banking Board

1-6-20

Date



RONALD MOBLEY, Member  
State Banking Board

1-6-20

Date



TODD SMITH, Member  
State Banking Board

1-06-20

Date

Board Members not in Attendance

LANA HAMPTON, Member  
State Banking Board

Date