

SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD

December 13, 2023

A Special Meeting of the Arkansas State Banking Board was held in the Rockefeller Conference Room located at the Department of Commerce, 1 Commerce Way, Little Rock, Arkansas, at 10:00 a.m. on December 13, 2023. The following Board Members were present: Chairman Todd Smith, Vice-Chairman Russell Meeks, III, D. Scott Miller, and Rusty Lanier. Representing the State Bank Department were Commissioner Susannah Marshall, Deputy Commissioner John Ahlen, Deputy Commissioner Dharmin Patel, Certified Examinations Manager John Ashby, IT Manager Frank Fields, Secretary to the Board Cynthia Nixon, Research Project Analyst Liz Swaim, Database Specialist Chris Hazeslip, Examiner Trainee Easton Householder, and Administrative Specialist III Krystal Smith. Representing the applicants were Attorney Doc Bodine, Chief Executive Officer of Union Bankshares, Inc. Jarrod Yarnell, and President of Union Bank, Kevin Williams. Notice of a Special Meeting was sent by regular mail to each member of the State Banking Board on November 6, 2023. The notice was also given to the news media in accordance with state law.

COMMISSIONER MARSHALL: Good morning, everyone. I see 10:00 o'clock, so let us get our official business started. I would like to welcome everyone to our fourth quarter board meeting of the State Banking Board. I want to say, it has been a full year but we have not had the privilege of having a transaction before the board, so I am excited for this opportunity and excited to convene the board.

We do have two members that were unavailable to attend; however, we do have a quorum, as I call it. I would like to begin by letting our guests, and visitors introduce themselves for the board members' purpose and for our transcription purposes. Doc, I will go ahead and let you start, since that may be easier and to assure you have got quality of sound and picture since you are joining us via Teams.

MR. BODINE: Absolutely. Picture and sound are great. My name is Doc Bodine. I am with Gerrish, Smith, Tuck, PC in Memphis, Tennessee. We represent Union Bankshares, Inc.; Union Bank formerly Union Bank of Mena; and The First National Bank at Paris.

COMMISSIONER MARSHALL: Thank you.

MR. AHLEN: John Ahlen, Bank Department.

MR. PATEL: Dharmin Patel, Bank Department.

MR. YARNELL: Jarrod Yarnell, Chief Executive Officer of Union Bankshares, Inc.

MR. WILLIAMS: Kevin Williams, President of Union Bank.

MS. NIXON: Cynthia Nixon, Bank Department.

MR. FIELDS: Frank Fields, Bank Department.

MR. HAZESLIP: Chris Hazeslip, Bank Department.

MR. HOUSEHOLDER: Easton Householder, Bank Department.

MS. SMITH: Krystal Smith, Bank Department.

COMMISSIONER MARSHALL: I will pause right there. The three individuals in the back corner, I invited them to join us today. Chris is on our IT team. Easton is one of our newest field examiners, and Krystal works in our training department. They are new hires and their first opportunity to get to be a part of a State Banking Board Meeting, so I wanted to invite them to join the fun and see what this part of our job is all about. Thank you for being here.

MS. SMITH: Krystal Smith, Bank Department.

MS. SWAIM: Liz Swaim, Bank Department.

MR. ASHBY: John Ashby, Bank Department.

MR. ROBERTS: Eric Roberts, Bank Department.

COMMISSIONER MARSHALL: Excellent. Mr. Chairman, I will turn the meeting over to you. For the record, since we have not met thus far in 2023, it is my suggestion and the

board's will that we allow Mr. Todd Smith to continue to serve as Chairman for 2023 and then we will work toward appointing a new Chairman for 2024. If that is the will of the board and there are no objections, we will proceed. Thank you for serving again.

CHAIRMAN SMITH: Yes. Thank you. Welcome again to everyone. First order of business today is to consider board member expenses for 2023. Do I have a motion to approve the board member expenses?

MR. MEEKS: Motion to approve, Mr. Chairman.

CHAIRMAN SMITH: Motion by Russ Meeks. Is there a second?

MR. MILLER: I will make a second, Chairman.

CHAIRMAN SMITH: Second by Scott Miller. All in favor, please signify by saying, "Aye."

BOARD MEMBERS (Collectively): Aye.

CHAIRMAN SMITH: Any opposed?

(No audible response given.)

CHAIRMAN SMITH: Motion carries. The next item is consideration of the minutes from the October 20, 2022, Special Board Meeting, which you have previously been provided a copy and had time to review. Does anybody have a motion to approve those minutes?

MR. MEEKS: Motion to adopt and approve those minutes.

CHAIRMAN SMITH: Motion by Mr. Meeks. Is there a second?

MR. LANIER: Second.

CHAIRMAN SMITH: Second by Mr. Lanier. All in favor, please say, "Aye."

BOARD MEMBERS (Collectively): Aye.

CHAIRMAN SMITH: Any opposed?

(No audible response given.)

CHAIRMAN SMITH: All right. Motion carries. All right. Our third item is our primary reason for being here today, and thank you for the application, Mr. Williams, Mr. Yarnell. We have all received a copy in advance and had time to review it, and at this time I would just offer Mr. Bodine, or either one of you to make any presentation you would like to make.

COMMISSIONER MARSHALL: I think Mr. Bodine is going to start first.

CHAIRMAN SMITH: Proceed.

MR. BODINE: Thank you, Mr. Chairman, I would like to start by thanking, first, Susannah and everybody at the Bank Department. As always, it was a very cooperative, enjoyable process working with her and her team. I would also like to thank the board. As you said, this is the primary reason that we called the meeting. We do recognize this is December 13, 2023, and everybody has a lot going on, so we appreciate you being available to meet with us and consider our application today. I know the institution and our firm has a very long relationship with the Bank Department in Arkansas. It is a relationship we value a lot, and I think this was just another great example on why we have such good relationship. So let us start with thank you. As far as providing an overview, this is a little bit of a unique transaction. Normally, when the Board is considering a merger, I anticipate that one institution is acquiring another. This is not really an acquisition so much as it is an internal reorganization. So, the structure of the institution is that Union Bankshares, Inc., is a bank holding company that has qualified as a financial holding company, and it is the sole owner of two separate bank charters. Union Bank, who formerly was named Union Bank of Mena until just recently, we affected name change, and then The First National Bank at Paris. Both of those institutions are wholly owned subsidiaries. The structure of the proposed merger would be a combination of those two institutions to operate under one charter going forward. The First National Bank at Paris would be merged with and into Union Bank, with Union Bank surviving the merger and continuing to operate going forward as a wholly owned subsidiary of Union Bankshares, Inc.

The purpose of the transaction is generally to consolidate operation, provide unified branding, which together with the recent name change, I think you can see the intentional focus on providing one unified branding that would not be focused on any locale, but would apply to all of the market that the combined institution will operate in. As you know, Jarrod Yarnell and

Kevin Williams are present today and they will speak more to the purpose of the transaction and, kind of, the cultural impact and those kinds of issues, once I have walked through the structure. Now, obviously, we understand your role as the State Banking Board, that there are several statutory factors that need to be complied with in order for you to be in a position where you could approve the merger. So, I will walk through some of the steps that have been taken and some of those statutory factors, hopefully, to illustrate that those factors have been met, so that you would be comfortable approving the merger.

First, under the Arkansas corporate statutes, the merger would need to be approved by each of the Boards of Directors of Union Bank and The First National Bank at Paris, and then by the shareholders of those two institutions. Union Bank's Board met and approved the merger agreement and the transaction on September 19, 2023. The First National Bank at Paris' Board met and approved the merger agreement and the transaction on September 20, 2023, I indicate that this is a little bit of a moot statute, because they are both wholly owned subsidiaries and because this is an internal reorganization, Union Bankshares' Inc. shareholder approval is not required. Since Union Bankshares, Inc. is the sole shareholder of both institutions, a Special Meeting for the shareholders of Union Bank was held on September 26, 2023. On the same date, Union Bank approved by written consent in lieu of the shareholder meeting for The First National Bank at Paris and provided shareholder approval by both banking institutions. So, shareholder approval has been provided. As a technical matter, all the shares of outstanding stock matter, upon confirmation, the outstanding stock of The First National Bank at Paris will be cancelled, and the existing outstanding stock of Union Bank will continue to be held by Union Bankshares and continue to be outstanding just as it is today. The intended timeline for the transaction is that we intend this to become effective at 5:01 p.m. on February 16, 2024. The timing of that is very intentional. That is when the data conversion is scheduled to take place. We will continue to operate the institutions as separate charters and in what has kind of oddly, in some respects, become, you know, the exception, not the norm, the consummation and the date of conversion will take place at effectively the same time. As you all know, that used to be commonplace, but it is now rare. But fortunately, we were able to get in touch with data providers and core providers far enough in advance to make the appropriate arrangement. Just some technicalities because of the merger, the name of Union Bank will continue to be Union Bank. The Articles of Incorporation and By-laws of Union Bank will continue to remain in

effect, unless and until they are subsequently amended. The existing Board of Directors of Union Bank will remain in place. Although three additional individuals, who are currently The First National Bank at Paris' Board of Directors, will be appointed to serve on the Union Bank Board. Those individuals are William Elkin, Joseph Schluterman and Johnny Warren. I know among the filings that the Bank Department received was background information so that you could vet those individuals. But they have all been with The First National Bank at Paris for a good bit of time, and so they are familiar with the institution and the market and the lay of the land and all those issues. From a management perspective, I do not believe we are intending that any employees are going to be separating from service as a result of this transaction. So, everybody will remain employed with the institution. There will be some shifting of positions, but everybody will remain. Jarrod Yarnell, who is currently on the Board at Union Bank and also the President and Chief Executive Officer, I believe, at The First National Bank in Paris, will become the Chief Executive Officer of the combined Union Bank. Kevin William will continue to serve as the President. Rob Floyd has been serving as the Chief Financial Officer of both institutions and he will continue to serve as Chief Financial Officer of the combined institution. Outside of the executive team, but still at the senior management level, Jason Sullivan has been Union Bank's senior lender and he will continue to serve in that role. Steven Sosebee has been serving as the senior lender at The First National Bank at Paris, and he will be staying on, but he will be taking a slightly different role as the River Valley Market President. As you can see, it is truly going to be a reorganization where the two subsidiary banks come together. And the beautiful thing is, there were a lot of efficiencies that these two institutions were able to maintain, but additional efficiencies will be gained. You know, just right off the top of your head, we will not have to file two call reports. We will have one call report. And I think that is indicative of a lot of the efficiencies that will be gained.

From a statutory perspective, I felt it would be appropriate for me to run through the five factors that the Arkansas Code 23-48-503(c) indicates that the board must consider in determining whether or not to approve the merger.

The first item that is to be considered is whether or not the proposed merger provides adequate capital structure. I know you have got a long relationship with Union Bank. The First National Bank at Paris is run in a very similar manner, so I do not think it will surprise you that

at September 30, 2023 Union Bank's leverage ratio was 10.79 percent. The First National Bank at Paris' leverage ratio was 11.44 percent. Now, we started this discussion by indicating that this is a reorganization rather than a true acquisition. From an accounting perspective, that means that this transaction is not subject to the acquisition accounting, and so all assets will be carried over from The First National Bank at Paris to Union Bank at book value. The combined capital of the two institutions will be a merger of its existing capital structure, and that means that the leverage ratio as of September 30, 2023, would be somewhere between those two ratios that I provided. And, candidly, both institutions have continued to be operated in the same manner with strong capital. I think that is an issue that is pretty easy for you guys to check the box, maybe is the best way to put that.

The second statutory factor that is listed is that the terms of the merger agreement are fair. Again, the unique structure of this as a reorganization rather than an acquisition makes that an easy item to check off the box, because it truly is all the assets are owned by Union Bankshares, Inc., and by extension by the Union Bankshares, Inc. shareholders. They will continue to be. The accounting will remain the same. It is just simply going to be in one charter, under one name, the new name, Union Bank, that has been developed, with some new marketing and logos and slogans and those sorts of issues. It would be harder for the terms and conditions to be more fair than that.

The third factor to be considered is that the merger is not contrary to the public interest. You know, normally, one of the concerns would be that one charter would be going away. I do not think that is a concern here, because both of those charters were controlled by the same institution but, also, they operate in separate markets. So, there is going to be no reduction in the number of banking institutions available in any particular market in Arkansas. And on top of that, I would argue that this is better for the Arkansas public for a couple of reasons. One, all the clients of either institution are going to have more locations where they can get the same great service and products, because they will be able to go to the combined locations of Union Bank and The First National Bank at Paris. And I might should have indicated this earlier, but all the locations of The First National Bank at Paris will continue to operate and exist. They will just do so as branches of Union Bank. Also, from the perspective of public benefit, you know, right now, one of the institutions is an Arkansas chartered institution. The other is an OCC regulated

national bank. And so now the number of banking assets, the number of banking locations within the Arkansas chartered system are going to increase. There is some public benefit to the Arkansas public, as a result of that factor, as well.

The fourth factor to be considered is that there had to be adequate provision of dissenters' rights. As a technical matter, absolutely dissenters' rights were available here. Now, obviously, when you are a wholly owned subsidiary of the institution, the holding company that is the shareholder is not going to want to exercise dissenters' rights. I started thinking about it. I do not think technically they could, because the merger could not happen without their approval, and you cannot exercise dissenter's rights on some shares but not others. But regardless of that, the holding company specifically waived its dissenters' rights as part of approving this transaction, so the requirement has been met, but there will be no dissenting shareholders because of this transaction. As I said earlier, Union Bankshares, Inc. shareholders were not required to approve the transaction and, therefore, dissenting shareholder rights are not applicable to holding company shareholders in this matter. I think that makes sense in all of our minds, because it is an internal reorganization rather than an acquisition. The shareholder is going to own all the same assets, all the same locations, just under one charter rather than two.

The fifth and final requirement in the Arkansas Code, is that the requirements of all applicable state and federal laws have been complied with. We believe the application would submit that that is the case. I told you I respected your time on the front end. I am not going to try and go through all applicable state and federal law, but I would point out, because I think this is particularly relevant, Union Bank is an Arkansas chartered Fed member bank. At the same time that we filed the application with the department, we filed a similar application with the Federal Reserve Bank of St. Louis. The Federal Reserve Bank of St. Louis has approved that application. The only issue to be addressed there is that currently the deadline to consummate the transaction is February 14, 2024. That is just a timing factor based on when it was approved. We will be filing an application to get that extended, and we have communicated with personnel at the fed. They actually asked us not to file it until we got closer to the deadline, so we will be doing that in the next couple of weeks. And that is, in my experience, just a rubber stamp issue. We just must go through the steps. They have indicated that will be granted. We do not anticipate any problems on that front. So, from that perspective, we have federal regulatory

approval. As far as The First National Bank at Paris, being a national bank regulated by the OCC, the OCC does have requirements for a notice that was previously required to be filed at the time the application was filed. And that provides them notice that one of their national banks is going to be merged out of existence. That notice was filed. Following consummation of the merger, there is a final notice that is required to be filed with the OCC and which includes surrender of The First National Bank at Paris' charter. We have that drafted. Obviously, it is premature. It is not right to file at this point, but that will be filed shortly following consummation, and that would wrap up all issues related to The First National Bank at Paris' charter being surrendered. Hopefully, that was a thorough enough overview, while still being efficient with everybody's time. Obviously, if you have any questions regarding the structure, the legal issues, anything along those lines, I am all ears and happy to provide whatever additional information I can.

COMMISSIONER MARSHALL: Thank you, Doc. I will turn it over to our guests for any additional comments.

MR. YARNELL: I will be very brief. Doc did a great job of laying out the transaction. I will tell you; this decision has been a long time coming from the banks. We have talked about this for 15 years about the opportunity to streamline and simplify our operations. We have had a long history with the State Bank Department at Union Bank. We are excited about simplifying and bringing our entire organization under the Union Bank banner and with supervision from the Arkansas State Bank Department. This transaction makes us much stronger, for all the reasons that Doc laid out. It will result in significant cost savings and from your perspective under supervision, I think you will find The First National Bank of Paris culturally is the same as Union Bank. How we consider risks, our lending appetite and how our strategies around lending will be the same, and strong and simple. So, I felt this was a great move and I appreciate you guys considering our application today.

CHAIRMAN SMITH: Anyone else?

(No audible response given.)

CHAIRMAN SMITH: Any comments from the Board or questions on the application in front of us?

(No audible response given.)

CHAIRMAN SMITH: Hearing none, I will open it up. Is there a motion to approve the application as presented?

MR. MEEKS: Motion to approve the application.

CHAIRMAN SMITH: Motion by Mr. Meeks. Is there a second?

MR. MILLER: I will second the motion.

CHAIRMAN SMITH: Second by Mr. Miller. All in favor, signify by saying "Aye."

BOARD MEMBERS (Collectively): Aye.

CHAIRMAN SMITH: Any opposed, please say, "Nay."

(No audible response given.)

CHAIRMAN SMITH: There are none, so it is unanimous. We approved it and thank you for the application.

COMMISSIONER MARSHALL: Commissioner concurs. Congratulations.

MR. BODINE: Thank you.

MR. MEEKS: Mr. Chairman, may I?

CHAIRMAN SMITH: Mr. Meeks.

MR. MEEKS: Just again, thank John and Dharmin for the great job they did to get this to us where we could understand it. You did a great job with it. Thank you.

MR. MILLER: Mr. Chair, I was going to allow Russ to make those thoughtful comments about the State Bank Board's presentation, but I thought your presentation was very good, including this morning, as well as what you all provided the State Bank Department.

MR. YARNELL: Thank you.

CHAIRMAN SMITH: Well, the only other item on our agenda is any other business. Is there any other business that needs to be made known as this time?

MR. MEEKS: None here.

CHAIRMAN SMITH: Do I have a motion to adjourn?

MR. LANIER: Motion that we adjourn.

MR. MILLER: Second.

CHAIRMAN SMITH: All right. All in favor?

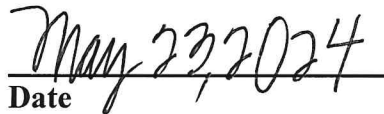
BOARD MEMBERS (Collectively): Aye.

CHAIRMAN SMITH: All right. We are adjourned. Thank you all.

COMMISSIONER MARSHALL: Commissioner concurs.



TODD SMITH, Chairman
State Banking Board



Date

ATTEST:



CYNTHIA NIXON, Secretary
State Banking Board



SUSANNAH T. MARSHALL
Bank Commissioner

