

SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD

May 23, 2024

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 May 23, 2024. The following Board Members were present: Chairman Randy Scott, Vice-Chairman Rusty Lanier, Todd Smith, Gary Head and Allen Kerr. The following Board member was not present: Andy Davis. Representing the State Bank Department were Commissioner Susannah Marshall, Deputy Commissioner John Ahlen, Deputy Commissioner Dharmin Patel, Certified Examinations Manager John Ashby, IT Director Frank Fields, Secretary to the Board Krystal M. Smith, Audit Manager Cynthia Nixon, Research Project Analyst Elizabeth Swaim, Research Project Analyst Barbara Mahoney, Examiner Trainee Brad Chu, Examiner Trainee Natalie Young and Examiner Trainee Jonathan Cook. Representing the applicants were Robert T. Smith of Friday, Eldredge and Clark and Bennie Ryburn on behalf of Commercial Bank & Trust Company, Monticello, Arkansas, Joshua Dennis with DD&F and Greg Hopkins with Hopkins Caststeel PLC were present to represent Bank of Salem, Salem, Arkansas. Notice of a Special Meeting was sent by regular mail to each member of the State Banking Board on April 18, 2024. The notice was also given to the news media in accordance with state law.

COMMISSIONER MARSHALL: This is our first meeting in a while, so I am glad that we have business to hear before the Board. I want to welcome our new State Banking Board Members, Mr. Allen Kerr and Mr. Gary Head. Mr. Rusty Lanier has been reappointed for a new five-year term. Board Member Andy Davis could not be with us today due to a schedule conflict, but he sends his regards. Our first order of business today is to elect a new Chairman and Vice-Chairman. Let us start with introductions around the room for the record, before we begin with our agenda.

MR. AHLEN: John Ahlen, Bank Department.

MR. PATEL: Dharmin Patel, Bank Department.

MR. ROBERT SMITH: Robert Smith of Friday, Eldredge & Clark, on behalf of Commercial Bank & Trust Company, Monticello, Arkansas.

MR. RYBURN: Bennie Ryburn, on behalf of Commercial Bank & Trust Company, Monticello, Arkansas.

MR. DENNIS: Joshua Dennis, DD&F on behalf of the Bank of Salem, Salem, Arkansas.

MR. B. SMITH: Buck Smith, on behalf of Bank of Salem, Salem, Arkansas.

MR. HOPKINS: Greg Hopkins, on behalf of Bank of Salem, Salem, Arkansas.

MS. SMITH: Krystal Smith, Bank Department.

MR. FIELDS: Frank Fields, Bank Department.

MS. NIXON: Cynthia Nixon, Bank Department.

COMMISSIONER MARSHALL: The next three people are our newest examiners. They do not get a chance to see the proceedings at the State Banking Board hearings very often, so I invited them to come join us. All three are assigned to our Little Rock office.

MR. CHU: Brad Chu, Bank Department.

MS. YOUNG: Natalie Young, Bank Department.

MR. COOK: Jonathan Cook, Bank Department.

MS. SWAIM: Elizabeth Swaim, Bank Department.

MS. MAHONEY: Barbara Mahoney, Bank Department.

MR. ASHBY: John Ashby, Bank Department.

COMMISSIONER MARSHALL: Excellent. Thank you. I will turn the meeting over to our current Chairman, Todd Smith, our first order of business is to call for a nomination for a 2024 Chairman and Vice-Chairman.

MR. T. SMITH: Thank you, Commissioner. Welcome to everyone. Our first order of business is to elect a Chairman and Vice-Chairman for the year. I would make a motion for Randy Scott to be elected as Chairman, and Rusty Lanier as Vice-Chairman.

MR. HEAD: Second.

MR. T. SMITH: Seconded by Gary Head. All in favor say aye.

BOARD MEMBERS: Aye.

MR. T. SMITH: Any opposed? (No response.) There are none, motion carries. Next is our consideration for expenses for 2024.

COMMISSIONER MARSHALL: For our new Board Members, we approve the Board Member expenses at the beginning of each year to be paid as incurred throughout the year, so we do not have to do that business at each meeting because there are times where we do not meet on a regular cadence. So, this just approves all expenses of Board Members throughout 2024.

CHAIRMAN SCOTT: Motion to approve Board Member expenses for 2024.

MR. T SMITH: Second. All in favor?

BOARD MEMBERS: Aye.

MR. T. SMITH: Any opposed? (No response.) None. That motion carries as well. Next, we have our Special Board Meeting minutes from December 13, 2023, which you have received in advance and had an opportunity to review. Any questions on the minutes or a motion to approve?

CHAIRMAN SCOTT: Motion to approve.

MR. T. SMITH: We have a motion.

MR. HEAD: Second.

MR. T. SMITH: All in favor?

BOARD MEMBERS: Aye.

MR. T. SMITH: Any opposed? (No response.) Motion carries.

COMMISSIONER MARSHALL: Commissioner concurs with those three motions.

COMMISSIONER MARSHALL: At this point the new Chairman, Randy Scott will conduct the meeting.

COMMISSIONER MARSHALL: Todd carried on his year as Chairman for two terms because we did not have any business for most of 2023, so he was willing to continue to serve in that role. He has been a great leader, engaged with our staff and with all the parties within the Agency and has been a great participant and supporter. We are thrilled for you to be able to continue in service and appreciate the time you served as Chairman.

MR. T. SMITH: Thank you.

CHAIRMAN SCOTT: Next item on the agenda is a Charter Amendment by the Bank of Salem, Salem, Arkansas to amend and restate their Articles of Incorporation in their entirety.

COMMISSIONER MARSHALL: This item does not necessarily need discussion from the group. Certainly, members here to represent the Charter Amendment are certainly welcome to discuss, but this is a Charter Amendment, as many of them are oftentimes sent for review via mail. This one we will hear here since it is in conjunction with an application, but it is nothing different than a normal Charter Amendment that is sent via electronic mail or physical mail.

CHAIRMAN SCOTT: I will entertain a motion to approve.

COMMISSIONER MARSHALL: Do we have any comments from the parties representing Bank of Salem, Salem, Arkansas?

MR. HOPKINS: This is an update of the Charter Amendment for Bank of Salem, Salem, Arkansas. It is one of the items that needs to happen before the merger can occur. This is a standard set of articles that matches what you see in almost every new era of banks. We would ask the Charter Amendment be approved.

MR. HEAD: I make a motion to approve the Charter Amendment as presented.

CHAIRMAN SCOTT: We have a motion.

CHAIRMAN SCOTT: I second the motion. Do we have any discussion? (No response.) All those in favor signify by saying aye.

BOARD MEMBERS: Aye.

CHAIRMAN SCOTT: Motion passes.

COMMISSIONER MARSHALL: Commissioner concurs.

CHAIRMAN SCOTT: The next item on the agenda is the application by Bank of Salem, Salem, Arkansas to merge Security Bank, Stephens, Arkansas, with and into Bank of Salem, Salem, Arkansas. Who will be speaking for this application?

MR. DENNIS: Good morning. According to Arkansas Banking Code, five criteria must be met before the Commissioner and the Board can approve an application. Those five criteria are the proposed merger must provide an adequate capital structure. Both Bank of Salem, Salem, Arkansas and Security Bank, Stephens, Arkansas were well capitalized prior to that merger, and after the merger, the performance in the application shows a proposed capital leverage ratio of 11.65. One year out, and that jumps over 12 percent, so it remains well capitalized.

Point number two, the terms of the merger agreement must be fair. The Boards of both banks have reviewed the agreement and deemed them to be fair and have approved moving forward.

Third, the proposed merger must not be contrary to public interest. These are sister banks, so there will be no changes in the offerings to the customers and consumers. There are no overlapping markets, so there is no competitive issues. There is no contrary effect to the public interest.

Four, all dissenters' rights must be adequately provided for. Smith Associated Banking Corporation, Hot Springs, Arkansas, is the sole shareholder of both institutions. There are no dissenters.

Lastly, all applicable state and federal regulations and laws must be complied with. On March 29, 2024, a merger application was filed with the Federal Reserve Bank of St. Louis, St. Louis, Missouri; that was approved on May 3, 2024. I will now turn it over to Mr. Smith.

MR. B. SMITH: I appreciate your time. Thank you. I think for the last 40 years, we have operated independently. And I think the Commissioner, I know for the last 20 years, and I have discussed this. It is certainly not a new idea or plan; we are excited about the merger. We feel like it is the right time to combine our resources and be in a better position for the future. With that, I appreciate your support and I would be happy to answer any questions.

CHAIRMAN SCOTT: On the packet we have here, it showed a net unrealized loss on your available held for sale securities. I am just curious. When you merge the two banks together, do you have to realize that loss, or does it stay on your books?

MR. B. SMITH: My understanding is no. It is very minimal at both banks. Combined, it will be roughly a million dollars.

MR. HEAD: That is correct.

CHAIRMAN SCOTT: Anyone else have any questions? (No response.)

MR. HEAD: Motion to approve.

CHAIRMAN SCOTT: We have a motion to approve. Second?

MR. T. SMITH: Second.

CHAIRMAN SCOTT: We have a motion and a second. Any further discussion? (No response.) All right. All those in favor signify by saying aye.

BOARD MEMBERS: Aye.

CHAIRMAN SCOTT: Anyone opposed? (No response.) Congratulations. Application is approved.

COMMISSIONER MARSHALL: Commissioner concurs. Congratulations.

MR. DENNIS: Thank you.

MR. B. SMITH: Thank you.

MR. T. SMITH: I have a conflict as a representative in both the applicant and the target institution, for this next application, so I am going to sit over on the other side and participate on that end.

CHAIRMAN SCOTT: The next item on the agenda is an application by Commercial Bank & Trust Company, Monticello, Arkansas to be merged with the First State Bank of Warren, Warren, Arkansas with and into Commercial Bank & Trust Company, Monticello, Arkansas.

MR. R. SMITH: Robert Smith here with Friday, Eldredge & Clark on behalf of Commercial Bank & Trust Company, Monticello, Arkansas. As noted, the application before you

is a merger of two related banks, First State Bank of Warren with and into Commercial Bank & Trust Company, Monticello, Arkansas. Mr. Ryburn and Mr. Smith are here on behalf of the applicant. Do you want to say a few words?

MR. RYBURN: I will say a few words. Like you all, we have talked about this for years and years and never really made the plunge. We had two presidents that were very strong in the banking world and did not want to do it. Those of you that do not know me, I am here because of a guy named Bennie Ryburn Sr., who was a car dealer in Monticello, Arkansas since 1946. He got mad at the local banks because they closed too early, and they did not finance cars. In the late 1950s and early 1960s, he and some of his friends in business in Monticello, Arkansas started buying bank stock. Through that, in 1965, they got control of the bank, and they probably erred on correct for the period, but they excused the Board and brought in a Board and brought in a new president. And it has been a real good thing for the Ryburn family for years, both the bank in Warren and, my father until his death, owned the bank in Star City. We are car dealers/bankers. And again, we have talked about this. George Harris was our bank president at Commercial Bank & Trust Company, Monticello, Arkansas. He finally retired at 79 years old. He is telling me that retirement is a pretty good thing over there where he is living now. So, that is on that side of things. All the businesspeople will tell you that it is a no-brainer, will save a lot of money and synergies. We are not going to reduce staff; we will probably grow. That is where we are at.

MR. R. SMITH: As Mr. Dennis noted, there are five factors for the Board and the Commissioner to consider in approving the application that you have before you today.

The first is that the merger provides for an adequate capital structure, and as you noted in the application, the leverage ratio post-closing would remain well above ten percent. Management has no concerns over capital structure from a post-closing perspective, so we believe that criteria is satisfied.

The next is the terms of the merger are fair. As you saw in the application, we really have two merger transactions here. One is the merger of the holding companies, and then, of course, the merger of the banks, which is under the application report. To ensure fairness in the transaction, the company or the bank is engaged in consulting to provide valuations of both shares of Drew Bancshares, Inc., Monticello, Arkansas and Bradley Bancshares, Inc., Warren, Arkansas to determine an exchange ratio that will apply there. Those reports were accepted by both Boards and have been approved. We do believe that that provides fairness for the Bradley Bancshares, Inc., Warren, Arkansas shareholders in terms of the exchange that they are receiving. This is an all-stock transaction other than some fractional shares that may be paid in cash, but we do believe that the criteria is satisfied.

The next is that the merger is not contrary to the public interest. There are no overlapping markets so no competitive effects. The Commercial Bank & Trust Company, Monticello, Arkansas, on a combined basis will continue to provide the same products and services to customers, so we believe that that is satisfied as well.

The fourth is that the transaction provides for the dissenters' rights. At the bank level, obviously, we do not have any dissenters' rights issues. At the holding company level, we do not

have any shareholders that perfected their dissenters' rights under Arkansas law, so we believe we satisfy that requirement.

Lastly, that all applicable state and federal laws have been complied with. At the state level, obviously, we have the application before you for the bank merger. On the holding company merger, we did request a waiver from the State Bank Department of a separate change in control application, and that was granted back in April. At the federal level, we did receive approval, again, on the bank merger from the Federal Reserve Bank of St. Louis, St. Louis, Missouri, about nine days ago, and we also requested a waiver on the holding company merger, which was approved. The last item at the federal level, there was a requirement for a change in control application for Drew Bancshares, Inc., Warren, Arkansas, just given the Ryburn Family control group, and that was approved back in April as well. We do believe that all five factors have been satisfied.

MR. T. SMITH: Thank you, Robert. This is an exciting and transformational day for our bank. We are proud to finally be here. I was talking to Deputy Commissioner Ahlen before the meeting. I am not sure if any other banks operate this model that we are operating and Bank of Salem, Salem, Arkansas, is operating in now. It is quite antiquated, and it does not really provide a whole lot for the customers either. In our case, we will reduce an expense burden quite a bit and the regulatory burden in half. And we will double our branches. Everybody in Warren, Hermitage, and Hampton will have four offices in Monticello they get to deal with it. And the people in Monticello will have offices in Hermitage, Hampton, and two in Warren to do business with. And so, we will be a lot more convenient for our customers. In our mobile society in Southeast Arkansas, how we are situated in three contiguous counties, we are a very mobile society, and people live in one place and work in another. We are the only bank in our competitive set that is operating and not utilizing that model. So that is going to be transformational for us to do that, and we would entertain any questions you have. Thank you, again, for hearing our application.

CHAIRMAN SCOTT: Are both of your banks on the same core processor?

MR. T. SMITH: They are.

CHAIRMAN SCOTT: The conversion will be pretty easy.

MR. T. SMITH: Correct. We hope so.

CHAIRMAN SCOTT: Both banks are CDFI banks. By merging you are going to lose half of your CDFI.

MR. T. SMITH: That is correct.

CHAIRMAN SCOTT: I see you have got that in your projections.

MR. T. SMITH: Right. Absolutely.

CHAIRMAN SCOTT: Anyone else have any questions? (No response.) I will entertain a motion.

MR. HEAD: Motion to approve.

MR. LANIER: Second the motion.

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

BOARD MEMBERS: Aye.

CHAIRMAN SCOTT: Anyone opposed? (No response.) Motion carries.

COMMISSIONER MARSHALL: Commissioner concurs. Congratulations.

MR. T. SMITH: Thank you very much.

MR. R. SMITH: Thank you very much.

COMMISSIONER MARSHALL: You know, these are always hard days for me because this means I have lost two state charters today. But the opportunity and benefit this affords both your organizations is important. You will continue to be able to serve Arkansans and other customers, and you will continue to be able to operate strong institutions in safe and sound manners and serve those communities, and that is what matters the most. So, I am very proud for you all and wish you much success in this next new chapter for both of your companies.

MR. T. SMITH: Thank you.

MR. R. SMITH: Thank you.

CHAIRMAN SCOTT: Congratulations. Any other business that needs to be brought before the board?

COMMISSIONER MARSHALL: I have some business, Mr. Chairman. As we do with all Members who have rolled off the State Banking Board, as we welcome new Members, we like to recognize their service. I have two Resolutions before us today. And if you will bear with me to let me read those Resolutions, and then I will ask for a vote on the Resolutions.

Whereas D. Scott Miller has served faithfully as a Member of the Arkansas State Banking Board, and whereas he unselfishly devoted his energies through his judgment and decision-making through this period of time to the improvement of the banking industry for the citizens of this state, and whereas his contributions to the duties and responsibilities of the State Banking Board have been most valuable, and whereas his service to the State of Arkansas, and especially to banking should be recognized.

Now, therefore, be it resolved that the State Banking Board adopts this Resolution of Appreciation to D. Scott Miller on this 23rd day of May 2024.

CHAIRMAN SCOTT: I entertain a motion to approve the Resolution for D. Scott Miller.

MR. KERR: Motion to approve.

CHAIRMAN SCOTT: Motion? Seconded. All those in favor?

BOARD MEMBERS: Aye.

CHAIRMAN SCOTT: Opposed? (No. Response.)

COMMISSIONER MARSHALL: And one more time.

Whereas Russell Meeks, III has served faithfully as a Member of the Arkansas State Banking Board, and whereas he unselfishly devoted his energies through his judgment and decision-making during this period of time to the improvement of the banking industry for the citizens of this state, whereas his contributions to the duties and responsibilities of the State Banking Board have been most valuable, and whereas his service to the State of Arkansas, and especially to banking should be recognized.

Therefore, be it resolved that the State Banking Board adopts this Resolution of Appreciation to Russell Meeks, III on this 23rd day of May 2024.

MR. KERR: I entertain a motion to approve the Resolution for Russell Meeks, III be approved.

CHAIRMAN SCOTT: We have a motion to approve. I second. All those in favor?

BOARD MEMBERS: Aye.

CHAIRMAN SCOTT: Anyone opposed?

COMMISSIONER MARSHALL: Commissioner concurs. We have plaques that we will get to the individuals, and the Resolutions once they receive signatures.

CHAIRMAN SCOTT: Any other business to discuss here?

COMMISSIONER MARSHALL: I have no other business, Mr. Chairman.

CHAIRMAN SCOTT: Is there a motion to adjourn the meeting?

MR. KERR: Motion to adjourn.

CHAIRMAN SCOTT: Second. All those in favor?

BOARD MEMBERS: Aye.

COMMISSIONER MARSHALL: Commissioner concurs.

Randy Scott

**RANDY SCOTT, Chairman
State Banking Board**

10-17-24

Date

ATTEST:

Krystal M. Smith

**Krystal M. Smith, Secretary
State Banking Board**

Susannah J. Marshall

**SUSANNAH T. MARSHALL
Bank Commissioner**