SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD
December 16, 2021

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 16, 2021. The following Board Members were present: Chairman D. Scott Miller, Vice-Chairman Todd Smith, David Leech, Russell Meeks, III, and George French. Randy Scott participated via WebEx. Representing the State Bank Department were Commissioner Susannah Marshall, Deputy Commissioner John Ahlen, Deputy Commissioner Dharmin Patel, Secretary to the Board Cynthia Nixon, and Research Project Analyst Barbara Mahoney. Cristina Davila from Bushman Court Reporting was the recording reporter for the applicant. Notice of a Special Meeting was sent by regular mail to each member of the State Banking Board on November 5, 2021. The notice was also given to the news media in accordance with state law.

COMMISSIONER MARSHALL: Good morning, everyone. I must tell you; I do not get tired of seeing people in person. It has been too long, and it is a thrill for me and all of us at the Bank Department to host you today. Randy Scott, can you see and hear us?

RANDY SCOTT: Yes, good morning. I apologize I could not be there in person.

COMMISSIONER MARSHALL: No problem, just glad to have you join us. With that, I see that we have a full board present. I will declare a quorum and let us kick off our meeting today. We are going to do introductions first, go around the room before we start any official business, so Stephen, if you do not mind, I will start with you.

STEPHEN TIPTON: Stephen Tipton; I am the Chief Operating Officer for Home BancShares, Inc. and Centennial Bank.

BRIAN DAVIS: I am Brian Davis. I am the Chief Financial Officer of both, Centennial Bank and Home BancShares, Inc.

DONNA TOWNSELL: Donna Townsell. I am the Director of Investor Relations.

MR. JOHN ALLISON: John Allison. I am the Chairman.

MR. TRACY FRENCH: Tracy French, Chief Executive Officer and President, Centennial Bank.

MR. RANDY DENNIS: Randy Dennis, DD&F representing these folks.

MR. JOSHUA DENNIS: Joshua Dennis with DD&F representing Centennial Bank.

MR. KYLE SHADID: Kyle Shadid with DD&F.

MS. MEG JOHNSTON: Meg Johnston with Mitchell Williams representing Centennial Bank.
MS. CYNTHIA NIXON: Cynthia Nixon, Bank Department.

MR. FRANK FIELDS: Frank Fields, Bank Department.

MR. JOHN ASHBY: John Ashby, Bank Department.

MS. BARBARA MAHONEY: Barbara Mahoney, Bank Department.

MR. JOHN AHLEN: John Ahlen, Bank Department.

MR. DHARMIN PATEL: Dharmin Patel, Bank Department.

COMMISSIONER MARSHALL: This is a Special Meeting of the State Banking Board. Our regular meeting was cancelled in October for no business to be presented to the Board and we are pleased to have a Special Meeting today to hear the subject application, and Mr. Chairman, I will turn the meeting over to you.

CHAIRMAN MILLER: Thank you, Commissioner. Welcome again, to everybody. I will also mirror the Commissioner's comments. It is great to see everybody this morning, especially all the representatives from Centennial Bank. At this time, we will move into business. We have the minutes from the September 2, 2021, Special Board Meeting to approve. Do I have a motion?

MR. MEEKS: Mr. Chairman, I will make a motion to adopt the minutes as presented to the Board.

CHAIRMAN MILLER: We have a motion to approve the September 2, 2021, minutes. Do I have a second?

MR. FRENCH: I second.

CHAIRMAN MILLER: We have a second. Any other comments or questions?

(No response.)

CHAIRMAN MILLER: There being none, all in favor to approve the minutes, say aye.

BOARD MEMBERS: Aye.

CHAIRMAN MILLER: Are there any opposed?

(No response.)

CHAIRMAN MILLER: Motion carries. The minutes are approved.

COMMISSIONER MARSHALL: Commissioner conurs.

CHAIRMAN MILLER: Thank you. We now move on to the business at hand. We have an application from Centennial Bank, Conway, Faulkner County, Arkansas to merge
Happy State Bank, Happy, Swisher County, Texas, with and into Centennial Bank, Conway, Faulkner County, Arkansas.

Who would like to make the presentation this morning on behalf of Centennial Bank?

**MR. JOSHUA DENNIS:** I will make the presentation.

**CHAIRMAN MILLER:** Please proceed.

**MR. JOSHUA DENNIS:** Good morning to all. I concur with Commissioner Marshall, it is good to see everybody in person, virtual just does not have the same feel to it. Chairman, Vice-Chairman, thank you all for calling this meeting.

This morning we are here to discuss the application for the merger of Happy State Bank into Centennial Bank.

Arkansas Code clearly lays out five criteria that must be met before this Board can approve the transaction. I will detail each of those requirements and then show how we have met each one of them.

The first criteria that must be met is the proposed merger must have an adequate capital structure. Centennial Bank currently has a leverage ratio of 11.2 percent. At the time of the combination of the banks, that merger or that leverage ratio will be 10.9. Twelve months after that merger it goes back up to 11.4 percent. The total risk-based capital ratio for Centennial Bank is currently 17.3 percent. At the time the institutions combine, we project that number to be 16.2 percent and then 12 months after the merger that number will be up to 16.8 percent. As you can see, Centennial Bank is well capitalized currently and will remain well capitalized after the merger.

The second criteria to be met is that the terms of the merger must be fair. The Board of Happy State Bank and the Board of Centennial Bank have reviewed the terms of the merger. They have agreed that they are fair and reasonable. Resolutions from each of the Boards approving the merger was provided as part of the application each of you received.

The third criteria to be met is that the merger must not be contrary to the public interest. Centennial Bank operates in Alabama, Arkansas, Florida, and New York, while Happy State Bank operates only in the state of Texas. They each have separate and distinct market areas that they operate in with no overlap. What that means is that there is no adverse effect on competition and no branches are anticipated being closed as a result. The public will have access to the bank the same after the merger as before the merger.

The fourth item that must be met is that the dissenters' rights must be adequately provided for. Home BancShares, Inc. is the sole shareholder of Centennial Bank, and Happy Bancshares, Inc. is the sole shareholder of Happy State Bank. Both of those shareholders have approved and there were no dissenters to speak of.

Lastly, all applicable State and Federal laws must be complied with. We have complied with the Arkansas laws by filing this application and the notice that came along with
that. To meet the federal laws, we filed a merger application with the Federal Reserve Bank of St. Louis the same day we filed the application with this office. We have not gotten approval at this time. We have no reason to believe that we will not be getting approval. Randy Dennis will provide a little more detail as to what is going on with the Federal Reserve and the timing and activity we can expect from them. Randy?

**MR. RANDY DENNIS:** Well, I would like to say we have all the approvals in line, but right now we do not have our Federal Reserve approval for the holding company application or the merger application. It appears that the eleventh hour at 4:53:57 a protest was filed. Five paragraphs, 479 words, numerous misstatements within that protest naming the wrong banks, but accusing Home BancShares, Inc. of not meeting the credit needs and redlining. Home BancShares, Inc. responded in a timely fashion, that was on November 20, 2021, when that was submitted. We responded December 2, 2021, fully addressing the points raised in that and do not anticipate any further questions. The protestor was a gentleman named Matthew Lee, Inner City Press, and he does this a lot. We have joined the ranks now of Simmons and a lot of other banks across the country that have received his e-mails. We do not anticipate that to slow down the application. The problem we do find though is the Federal Reserve in Washington is pretty much stopped. They have not approved anything since August 2021, and no one is quite sure why, but right now they are predicting 90 days to get our approval done, but again, we are really at the mercy of the Federal Reserve Bank in Washington. We do not anticipate any feedback or any other follow up on the protest since we responded to all the questions as asked by the Federal Reserve Bank and feel good about that. I would like to turn over the floor to Mr. Allison.

**MR. JOHN ALLISON:** Thank you for having this meeting today and helping us get through this process. I wish the Federal Reserve Bank would work as well as the State works. We were on another transaction, in the middle of doing due diligence on another transaction, when the Texas transaction came up. I told Donna, "That was a weekend decision for me." A lot of arbitrage goes on with public companies and when you are a publicly traded company and if they have a lot of funds in them, most of them are gone before the sun comes up and you do not generate the shareholder loyalty that we have built over years as you guys know. This was an opportunity to look at a Texas bank that had 1,330 individual shareholders that had helped build this company since day one and had never even got a dividend. I had to explain to the Chairman what a dividend meant. I did call to explain it to him.

The Happy State Bank deal came up when I was with First Commercial. We were in East Texas, Tyler, Longview, Nacogdoches, Lufkin, we really liked the Texas market, and if you look at demographic movements in the country today, where are they moving? They are moving to Florida and Texas. We think we have a strong foothold all over Florida, this will give us our first entry into Texas. We do not have visions of taking over Texas. We are going to take our time. First is to get executed on this transaction if we get all the approvals and get the efficiency. This is a good little bank. The revenue side is extremely strong, their actual yield on loans is better than Home BancShares, Inc. and Home BancShares, Inc. is one of the best in the country. Finding this bank was a real plus for us, and from the expense perspective, it is much faster than Home BancShares, Inc. operates, and we think that gives us opportunities to improve that over time. That will be our game plan, we need to execute on that. Tracy French executes pretty well, and he runs the company. He has done several of these over the
years. He has been with me on 25 mergers. He will tell you he was my first; he will tell you he is the best.

**MR. TRACY FRENCH:** It is true.

**MR. JOHN ALLISON:** As you know the company, Home BancShares, Inc. operates with excess capital and excess loan loss reserves. We err on the side of conservatism. We have the best asset quality we have had in years. We have not had any losses because of this pandemic. We will continue to operate under that mode, and we think the addition of Happy State Bank really does a lot for Home BancShares, Inc. It is an accretive transaction and as you look at these deals from 2010 forward, these M&A deals, they do not work. The deals are not working, and the reason they do not work is the buyer dilutes his shareholders. Have you heard the statement, five year earn back the tide will work and three year earn back the tide will work, and whoever follows that, nobody follows it. I asked Brian Davis one day, I said we lost a deal in Florida from a New York bank and I said, 'Tell me when that becomes accretive to the shareholders of that bank," and he called me back in about 30 minutes and he said, "I do not have enough columns on my computer." We pride ourselves on having never diluted our shareholders. This was an accretive, accretive, accretive transaction, which means it was accretive to book value accretive to tangible book value, and is accretive to earnings per share, even day one. Our shareholders do not have to wait four and a half years or three years to get back to even. They start accruing income day one. I read every line of every classified asset in this bank. It was a pretty interesting read and thank God for a good economy in some markets. As I was sharing with someone earlier today, they are really like a novelty, they really do an outstanding job of presenting their classified loans. They report how they are coming by quarter. It was really interesting reading I thought, we are going to get kicked on this loan, this one, they are going to lose a bunch of money on it. You get down to the last paragraph and it says, property sold paid in full. Thank goodness for a good economy. Their leverage is a little higher than ours, we protect ourselves on the leverage side. We do not do 80 percent, 90 percent leverage. We do not take those chances. We all did that in '04 and '05 and '06 which caused '08, '09', and '10 and '11. I think bankers have learned, but bankers forget too. We begin to see that back in the market again a little bit now, so rest assured Home BancShares, Inc. is not going to play that game. We do not play, it is my largest individual asset, and I am the largest individual shareholder, so we protect this company. We look after this company, and I think you must agree with me, it is one of the best in the country and has been for many, many, many years, and my team has made about $300 million dollars a year for the last four years. You cannot ask for much more than that from your people.

Now, Tracy will tell you that I did, but anyway you cannot ask for much more than that. So, what we needed to do was pick up some assets that were good assets and get on his team and get ahold of those assets and manage them. So that is kind of the story here. We will do something else in Texas at some point in time, but it will be after we get our arms around this one and we feel like we executed properly, and we got the expense ratios out. This is Donna Townsell, she is the one that took us from 62 percent efficiency to 39 percent efficiency, she has a daughter that is a sophomore in high school. If she did not have a daughter in high school, she would be in living in Amarillo in the morning. So anyway, we will get it done. We are pretty good at that, and we know how to execute, and I think we will get that done before too long, so thank you for the opportunity to be here. Tracy, do you have any comments?
MR. TRACY FRENCH: You do not want to go before Johnny, because you do not remember, and you certainly do not want to go after Johnny because you will not remember what I say anyway. But we are excited for the opportunity. I just want to say thank you for your time of what you are doing and how you are doing things in a timely manner.

He has done over 20 of these, this will be one of the most exciting ones except his first one that he did was probably the most exciting one, but time is so critical, that is the key, that is basically when you are not in the markets and territory, you know, 60 days is a long time, another 90 days will be too long. And with all the competition that you are dealing with and the uncertainty, so I am very appreciative of your blessing and to where we can hopefully move as fast as we can, because failed bank opportunities happen like a shotgun wedding on a Friday night, you met each other on Friday night and on Saturday morning you open a new bank. This one is a courting relationship; it takes a little longer. This prolonged time makes it challenging for all of us. We are very eager and ready to go. They are excited. They have worked extremely hard, so we have a lot of momentum. We will take our flip flops off in Florida and put on our cowboy boots in Texas and let them know that things are better in Arkansas. They may be bigger in Texas, but they are better in Arkansas. We will make you proud.

CHAIRMAN MILLER: Johnny, it is great to meet your team. It is good to hear a little bit of the back story of your success. Tracy, thank you. Good to have all of you with us this morning. Josh, thank you for another good, exceptional presentation from DD&F, they are always topnotch and easy for the Board Members to look through. I appreciate your excellent presentation. I will open the floor to the Board for any comments or questions.

MR. MEEKS: Mr. Chairman, I would put the matter on the table for any further discussion by making a motion to approve the application and request the Commissioner's concurrence.

CHAIRMAN MILLER: We have a motion.

MR. LEECH: I will second that.

CHAIRMAN MILLER: We have a motion and a second on the floor to approve this transaction. I will pause for any other thoughts or comments or questions.

MR. MEEKS: I would like to thank our staff for a great job again as always, but more importantly in this one for explaining every step of a triangular reverse merger. You can explain that to me later. Thank you.

MR. LEECH: Did the name "Happy" have any influence on you acquiring this bank?

MR. JOHN ALLISON: Interestingly, the Chairman and the founder of the company started in Happy, Texas. With a group of ten investors. The investors put a million dollars apiece in and they bought Happy State Bank. Tracy and I were there. We spent four hours at the table negotiating this trade. One of the keys in the deal was that he wanted to maintain the name. He was very proud of that name.
He told lots of stories about how people remember the name Happy State Bank including Federal bank examiners and he had some pretty good stories. The Chairman asked, "Would you let us keep our name." and I said, "Well, we will consider that." And so, we committed to let them keep their name. We did not say for 30 minutes or 30 years, but it is really catching on and it is amazing the number of interactions and people who know Happy State Bank. I got hit yesterday by an old friend of mine he said, "I just found you just keep doing something, you bought Happy State Bank, my neighbor works there." We heard about somebody's cousin that works out there, and anyway the name is pretty well known, and they are very proud of it.

So we are going to take a run on it for awhile being in business as Centennial Bank. We are going to give them a chance and run with that and we may build off of that in Texas over a period of time. Depending on how expensive it gets. If it gets too expensive, we will make the change, but it is well known by the name Happy State Bank. You know when you think about it guys, how many times have you used happy, and you do not realize it? Which we now catch ourselves when we do that. So, H-O-M-B is our NASDAQ symbol or was our NASDAQ symbol. Anyway, the name was important to them, to answer your question. Yes, we let them keep the name. Another point that was important to them was he did not want to sell to a Texas bank because they would not take his franchise apart. We need his people; his people are important to us. If we were going into Florida today and buying a bank, we do not need many of those people if they do not want to stay, so anyway lots of people, there will be lots of jobs. So Happy State Bank was the name. Those two things were habitual, right-on top of each other. They are all just stacked right in there together, so that pushed it over for us.

MR. LEECH: Mr. Chairman, with respect to the motion, I do assume that the motion would be, if approved, will be accepted with the understanding that the requirement of the Federal Reserve’s approval is being waited on by the Commissioner.

COMMISSIONER MARSHALL: Yes, sir. All transactions of this nature of a state-charter bank would require both, State and Federal Reserve approval before the transaction could be consummated. Our approval today, or our action today, is completely independent and should the Federal Reserve not be able to act on this application, the transaction will then effectively be stable, or it will not be able to move forward until such time that parties reach some other type of resolution, or an approval is obtained.

MR. MEEKS: Thank you. So, the way I worded the motion then is proper?

COMMISSIONER MARSHALL: Correct. Yes, sir. We can act independently and should act independently on our application before us today.

MR. MEEKS: Thank you.

CHAIRMAN MILLER: Thank you, Russ. Board, any other thoughts, comments?

MR. LEECH: I have one. We have an employee that went to SMU banking school about two years ago. He did his thesis on Happy State Bank and when it was announced that
Centennial Bank was going to buy Happy State Bank, he called me and says, "I'm buying today." He said, "Talk about a diamond in the rough." And I said, "Well, I cannot buy today," but it sounds like he did a lot of research on it for his thesis and had a lot of good information on it.

**CHAIRMAN MILLER:** Very good. All right. We have a motion and a second on the floor and no further comments on hand?

**COMMISSIONER MARSHALL:** Scott, let us make sure Randy does not have any.

**CHAIRMAN MILLER:** Randy, do you have any comments or thoughts?

**MR. SCOTT:** No. It looks like two clean banks. I think it will be a good fit for Centennial Bank.

**CHAIRMAN MILLER:** Okay. All right, again, we have a motion and a second. I am going to go ahead and call a vote. All those in favor of this transaction say, aye.

**BOARD MEMBERS:** Aye.

**CHAIRMAN MILLER:** Are there any opposed?

**MR. SCOTT:** Aye.

**COMMISSIONER MARSHALL:** That is an aye for, correct, Mr. Scott?

**MR. SCOTT:** I am sorry. I am delayed here, yes, I am for.

**CHAIRMAN MILLER:** The ayes have it.

**COMMISSIONER MARSHALL:** Commissioner concurs. Congratulations.

**CHAIRMAN MILLER:** I did not know where this comment fits, but I am happy to see an Arkansas bank acquiring more Texas banks.

**MR. JOHN ALLISON:** Actually, you will get one more, eventually. Sir, if you do not mind one more comical comment. We were on another deal in Mississippi, and it was run by a guy named Hoppy. So, we had Hoppy, Happy, and of course, you all now Bunny is my Vice-Chairman. So I told Donna, we need to do something with Hoppy and Hoppy and Bunny. So, she said, "Happy Hoppy Bunny." Anyways, we kind of had some fun with that.

**CHAIRMAN MILLER:** All right. With all business being completed, I would entertain a motion to adjourn.

**VICE-CHAIRMAN SMITH:** So moved.

**CHAIRMAN MILLER:** We have a motion.
MR. MEEKS: Second.

CHAIRMAN MILLER: We have a second to adjourn. All those in favor say, aye.

BOARD MEMBERS: Aye.

CHAIRMAN MILLER: Any opposed?

(No response.)

CHAIRMAN MILLER: Meeting is adjourned.

COMMISSIONER MARSHALL: Commissioner concurs.

CHAIRMAN MILLER: Thank you.

D. SCOTT MILLER, Chairman
State Banking Board

March 10, 2022
Date

ATTEST:

CYNTHIA NIXON, Secretary
State Banking Board

SUSANNAH T. MARSHALL
Bank Commissioner
D. SCOTT MILLER, Chairman
State Banking Board

TODD SMITH, Vice-Chairman
State Banking Board

DAVID LEECH, Member
State Banking Board

RUSSELL MEEKS, III, Member
State Banking Board

RANDY SCOTT, Member (via WebEx)
State Banking Board

GEORGE FRENCH, Member
State Banking Board

March 10, 2022
Date