

HOME BANCSHARES INC  
Form 424B3  
September 04, 2014  
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Filed pursuant to Rule 424(b)(3)  
Registration No. 333-198241

## MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Home BancShares, Inc. (which we refer to as HBI) and Broward Financial Holdings, Inc. (which we refer to as BFHI) have entered into an Agreement and Plan of Merger dated July 30, 2014 (which we refer to sometimes as the Merger Agreement), providing for the combination of the two companies. Under the Merger Agreement, a wholly owned subsidiary of HBI will merge with and into BFHI, with BFHI remaining as the surviving entity and thereby becoming a wholly owned subsidiary of HBI (which transaction we refer to as the merger). Broward Bank of Commerce, a wholly owned subsidiary of BFHI (which we refer to as Broward Bank) will, as soon as reasonably practicable following the merger and as part of a single integrated transaction, merge with and into Centennial Bank, an Arkansas state bank and wholly-owned subsidiary of HBI, with Centennial Bank remaining as the surviving entity (we refer to the two mergers together as the mergers). Before we complete the merger, the shareholders of BFHI must approve the Merger Agreement. A special meeting of BFHI shareholders will be held on October 2, 2014 for that purpose.

Under the terms of the Merger Agreement, the aggregate merger consideration payable by HBI to BFHI shareholders will be approximately \$33,060,001, subject to adjustment as described in the Merger Agreement, consisting of (i) approximately \$3,306,000 in cash and (ii) shares of HBI common stock with a total value of approximately \$29,754,001. Assuming that, prior to the closing of the merger, all outstanding BFHI stock options are terminated and settled for shares of BFHI common stock and all outstanding BFHI stock warrants are fully exercised, which would result in an aggregate of 1,996,663 shares of BFHI common stock outstanding at closing, each share of BFHI common stock would be exchanged for consideration valued at \$16.5576, consisting of a combination of (i) cash in the amount of \$1.6558 and (ii) HBI common stock with a value of approximately \$14.9018. The number of shares of HBI common stock issuable for each share of BFHI common stock will not be determined until the effective time of the merger, and will be based on the volume-weighted average closing price of HBI common stock on the NASDAQ Global Select Market reporting system for the 20 trading days immediately prior to the date the merger closes, as set forth in more detail in the Merger Agreement and described in this proxy statement/prospectus. We expect the mergers, taken together, to be a tax-free transaction for BFHI shareholders, to the extent they receive HBI common stock for their shares of BFHI common stock.

The market price of HBI common stock will fluctuate before the merger. You should obtain a current stock price quotation for HBI common stock. HBI common stock is traded on The NASDAQ Global Select Market under the symbol HOMB.

The Merger Agreement provides that if the 20-day average closing price of the HBI common stock as of the closing date is equal to or greater than \$37.95 or is equal to or below \$28.05 (which we sometimes refer to collectively as the collar), then the price used to determine the number of shares of HBI common stock issuable for each share of BFHI common stock will be fixed at \$37.95 or \$28.05, respectively (subject to adjustment in the event of a stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction). Assuming no adjustments are made to the aggregate merger consideration, if the 20-day average closing price of the HBI common stock as of the closing date of the merger is equal to or greater than \$37.95, the number of shares of HBI common stock to be issued to BFHI shareholders in connection with the merger will be approximately 784,031 shares. If the 20-day average closing price of the HBI common stock as of the closing date of the merger is equal to or below \$28.05, the number of shares of HBI common stock to be issued to BFHI shareholders in connection with the merger will be approximately 1,060,748 shares.

As more fully described in this proxy statement/prospectus and the Merger Agreement, the aggregate merger consideration may be adjusted as follows: (i) increased based on BFHI's adjusted third quarter net income as described in the Merger Agreement; (ii) decreased based on any BFHI stock warrants not exercised before the closing of the merger; and (iii) decreased for director and officer insurance costs exceeding \$100,000.

**Because of the potential adjustments to be made to the aggregate merger consideration, the collar restriction, and the potential issuance of shares upon the exercise of BFHI stock warrants and upon the termination or exercise of BFHI stock options, the final per share merger consideration will not be determined until after the date of the special meeting of BFHI shareholders. Therefore, at the time of the special meeting, you will not know the precise amount of cash or number of shares of HBI common stock you may receive upon the completion of the merger. Moreover, the actual value of the per**

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share consideration received by BFHI shareholders could be significantly less than \$16.5576.

BFHI's board of directors has unanimously determined that the combination of BFHI and Centennial Bank is in the best interests of BFHI shareholders based upon its analysis, investigation and deliberation, and BFHI's board of directors unanimously recommends that the BFHI shareholders vote **FOR** the approval of the Merger Agreement and **FOR** the approval of the other BFHI proposal described in this proxy statement/prospectus.

**You should read this entire proxy statement/prospectus, including the appendices and the documents incorporated by reference into the document, carefully because it contains important information about the merger and the related transactions. In particular, you should read carefully the information under the section entitled Risk Factors beginning on page 12.**

**The shares of HBI common stock to be issued to BFHI shareholders in the merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in this proxy statement/prospectus or the HBI common stock to be issued in the merger, or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

**This proxy statement/prospectus is dated September 3, 2014.**

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**BROWARD FINANCIAL HOLDINGS, INC.**

**101 Northeast 3<sup>rd</sup> Avenue**

**Fort Lauderdale, Florida 33301**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON OCTOBER 2, 2014**

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Broward Financial Holdings, Inc. ( BFHI ) will be held at the Fort Lauderdale Women s Club, 20 South Andrews Avenue, Fort Lauderdale, Florida 33301, at 4:00 p.m. Eastern Time, on October 2, 2014, for the following purposes:

1. To approve the Agreement and Plan of Merger (the Merger Agreement ) dated as of July 30, 2014, by and among Home BancShares, Inc., Centennial Bank, BFHI, Broward Bank of Commerce and HOMB Acquisition Sub II, Inc. (which we refer to as Sub ) (the Merger Proposal ).
2. To approve one or more adjournments of the BFHI special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the Merger Proposal (the Adjournment Proposal ).

BFHI will transact no other business at the special meeting, except for business properly brought before the special meeting or any adjournment or postponement of such meeting.

The Merger Proposal is described in more detail in the attached proxy statement/prospectus, which you should read carefully in its entirety before you vote. A copy of the Merger Agreement is attached as **Appendix A** to the proxy statement/prospectus.

BFHI s board of directors has set August 29, 2014, as the record date for the BFHI special meeting. All holders of record of BFHI common stock at the close of business on the record date will be notified of the special meeting. Only holders of record of BFHI common stock at the close of business on August 29, 2014, will be entitled to vote at the BFHI special meeting and any adjournments or postponements thereof. Any shareholder entitled to attend and vote at the BFHI special meeting is entitled to appoint a proxy to attend and vote on such shareholder s behalf. Such proxy need not be a holder of BFHI common stock.

Holders of BFHI common stock are entitled to assert appraisal rights pursuant to Florida Statutes Annotated §607.1301 to §607.1333 in connection with the approval of the Merger Agreement. The appraisal rights law provides that, if the merger is consummated, a shareholder will be entitled to payment in cash of the fair value of only those shares held by the shareholder (i) which are not voted in favor of approval of the Merger Agreement, and (ii) with respect to which the shareholder has given written notice to the corporation before the vote regarding the Merger Agreement is taken that such shareholder is asserting appraisal rights.

Your vote is very important. To ensure your representation at the BFHI special meeting, please complete and return the enclosed proxy card. Please vote promptly whether or not you expect to attend the BFHI special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the BFHI special meeting.

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BFHI's board of directors has unanimously adopted and approved the Merger Agreement and the transactions contemplated thereby and recommends that you vote **FOR** the Merger Proposal and **FOR** the Adjournment Proposal.

By Order of the Board of Directors

*/s/ Keith P. Costello*

President and Chief Executive Officer

September 3, 2014

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**WHERE YOU CAN FIND MORE**

**INFORMATION**

HBI files annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission (the "SEC"). You may read and copy any materials that HBI files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, HBI files reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at [www.sec.gov](http://www.sec.gov) containing this information. You will also be able to obtain these documents, free of charge, from HBI by accessing HBI's website at [www.homebancshares.com](http://www.homebancshares.com) under the heading "Investor Relations." Copies can also be obtained, free of charge, by directing a written request to Home BancShares, Inc., Attention: Corporate Secretary, 719 Harkrider Street, Suite 100, Conway, Arkansas 72032.

HBI has filed a registration statement on Form S-4 to register with the SEC up to 1,089,626 shares of HBI common stock (the number of shares has been calculated based on an average closing price of HBI common stock of \$28.05 (which is the lowest stock price listed on the chart on page 6)). This proxy statement/prospectus is a part of that registration statement. As permitted by SEC rules, this proxy statement/prospectus does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits at the addresses set forth below. Statements contained in this proxy statement/prospectus as to the contents of any contract or other documents referred to in this proxy statement/prospectus are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement. This proxy statement/prospectus incorporates important business and financial information about HBI that is not included in or delivered with this proxy statement/prospectus, including incorporating by reference documents that HBI has previously filed with the SEC. These documents contain important information about HBI and its financial condition. See "Documents Incorporated by Reference" on page 91. These documents are available without charge to you upon written or oral request to HBI's principal executive offices. The address and telephone number of such principal executive office is listed below:

Home BancShares, Inc.

719 Harkrider Street, Suite 100

Conway, Arkansas 72032

Attention: Corporate Secretary

(501) 328-4770

To obtain timely delivery of these documents, you must request the information no later than September 18, 2014, in order to receive them before BFHI's special meeting of shareholders.

HBI common stock is traded on The NASDAQ Global Select Market under the symbol "HOMB."

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**QUESTIONS AND ANSWERS**

The following questions and answers briefly address some commonly asked questions about the merger and the shareholder special meeting of BFHI shareholders. They may not include all the information that is important to the shareholders of BFHI. Shareholders of BFHI should each read this entire proxy statement/prospectus carefully, including the appendices and other documents referred to in this proxy statement/prospectus.

**Q: Why am I receiving these materials?**

**A:** BFHI is sending these materials to its shareholders to help them decide how to vote their shares of BFHI common stock with respect to the proposed merger and the other matters to be considered at the BFHI special meeting described below.

The merger cannot be completed unless BFHI shareholders approve the Merger Agreement. BFHI is holding a special meeting of shareholders to vote on the Merger Agreement as described in BFHI Special Meeting of Shareholders. Information about the special meeting and the merger is contained in this proxy statement/prospectus.

This proxy statement/prospectus constitutes a prospectus of HBI and a proxy statement of BFHI. It is a prospectus because HBI will issue shares of its common stock in exchange for shares of BFHI common stock in the merger. It is a proxy statement because the board of directors of BFHI is soliciting proxies from BFHI's shareholders.

**Q: What will BFHI shareholders receive in the merger?**

**A:** Under the terms of the Merger Agreement, BFHI shareholders will receive their pro rata share of the total consideration (which we refer to sometimes as the Purchase Price) of approximately \$33,060,001, subject to adjustment, as follows: (i) increased based on BFHI's adjusted third quarter net income as described in the Merger Agreement; (ii) decreased based on any BFHI stock warrants not exercised before the closing of the merger; and (iii) decreased for director and officer insurance costs exceeding \$100,000. The aggregate consideration consists of (i) cash equal to ten percent (10%) of the Purchase Price; and (ii) shares of HBI common stock valued at the volume-weighted average closing price of HBI common stock on The NASDAQ Global Select Market reporting system for the 20 trading days immediately prior to the date the merger closes with a total value of ninety percent (90%) of the Purchase Price. See The Merger Terms of the Merger beginning on page 34 for a more detailed discussion of the calculation of the Purchase Price and adjustments thereto.

**Q: What will a BFHI shareholder receive for each share of BFHI common stock?**

**A:** Based on a Purchase Price of \$33,060,001 (with no adjustment) and 1,996,663 shares of BFHI common stock outstanding at closing (which is equal to the sum of 1,649,512 shares the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 47,150 shares issuable upon a cashless settlement and termination of all BFHI stock options outstanding on the date of the Merger Agreement), each share of BFHI common stock will be exchanged for consideration valued at \$16.5576, consisting of a combination of (i) cash in the amount of approximately \$1.6558 and (ii) HBI common stock with a value of approximately \$14.9018. If all outstanding BFHI stock options are fully exercised before termination, resulting in 2,064,513 shares of BFHI common stock outstanding at closing, each share of BFHI common stock will be exchanged for consideration valued at \$16.0135, consisting of a combination of (i) cash in the amount of approximately \$1.6014 and (ii) HBI common stock with a value of approximately \$14.4121.

The number of shares of HBI common stock issuable for each share of BFHI common stock will not be determined until the effective time of the merger, and will be based on the volume-weighted average closing





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price of HBI common stock on The NASDAQ Global Select Market reporting system for the 20 trading days immediately prior to the date the merger closes, as set forth in more detail in the Merger Agreement and described in this proxy statement/prospectus. See The Merger Terms of the Merger beginning on page 34 for a more detailed discussion of the per-share merger consideration.

### **Q: How are outstanding BFHI stock options addressed in the Merger Agreement?**

**A:** At or prior to the closing of the merger, each outstanding and unexercised BFHI stock option will be terminated by BFHI and shall entitle the holder to either the issuance of 0.41 shares of BFHI Common Stock for each BFHI stock option terminated or a cash payment at the effective time of the merger equal to the difference between the option exercise price and the equivalent dollar value of the merger consideration.

### **Q: How are outstanding BFHI stock warrants addressed in the Merger Agreement?**

**A:** As a condition precedent to HBI's obligation to close the merger, BFHI shall have received full payment of the exercise price of the BFHI stock warrants (\$3,000,000). Upon exercise of the BFHI stock warrants, the holder shall be entitled to receive shares of BFHI common stock which will be exchanged in the merger for HBI common stock. If full payment from the exercise of warrants is not received by BFHI, HBI may terminate the Merger Agreement or proceed with the merger, but reduce the Purchase Price by an amount equal to 1.2 times the aggregate exercise price of the BFHI stock warrants for which payment was not received. However, the condition that the BFHI stock warrants be fully exercised before the closing of the merger may be satisfied by BFHI if it substitutes for any unexercised BFHI stock warrants, on a dollar-for-dollar basis, cash received by BFHI from the exercise of currently outstanding BFHI stock options.

### **Q: When do HBI and BFHI expect to complete the merger?**

**A:** HBI and BFHI expect to complete the merger after all conditions to the merger in the Merger Agreement are satisfied or waived, including after shareholder approval is received at the special meeting of BFHI shareholders, all required regulatory approvals are received and \$3,000,000 from the exercise of the BFHI stock options and stock warrants is received. HBI and BFHI currently expect to complete the merger in the fourth quarter of 2014. It is possible, however, that as a result of factors outside of either company's control, the merger may be completed at a later time, or may not be completed at all.

### **Q: How will the merger consideration received by BFHI shareholders affect HBI shareholders?**

**A:** As a result of HBI's issuance of new shares to BFHI shareholders, current HBI shareholders will experience dilution in terms of percentage of ownership. Following the closing of the merger, current HBI shareholders will own approximately 98.57% of the outstanding common stock of HBI, and current BFHI shareholders will own approximately 1.43% of the outstanding common stock of HBI. These percentages assume an issuance of 961,357 shares which has been calculated based upon a Purchase Price of \$33,060,001 (with no adjustment) and an HBI common stock price of \$30.95 (the closing price on the date the Merger Agreement was signed). The percentages will increase or decrease based on the HBI common stock price as described in more detail in the chart on page 8.

### **Q: What am I being asked to vote on?**

**A:** BFHI shareholders are being asked to vote on the following proposals:

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1. To approve the Merger Agreement (referred to as the Merger Proposal ); and
2. To approve one or more adjournments of the BFHI special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the Merger Proposal (referred to as the Adjournment Proposal ).

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### **Q: How does the board of directors of BFHI recommend that I vote?**

**A:** BFHI's board of directors unanimously recommends that BFHI shareholders vote **FOR** the BFHI proposals described in this proxy statement/prospectus.

For a discussion of interests of BFHI's directors and officers in the merger that may be different from, or in addition to, the interests of BFHI shareholders generally, see "The Merger Interests of BFHI Directors and Officers in the Merger and Golden Parachute Compensation," beginning on page 49.

### **Q: What do I need to do now?**

**A:** After carefully reading and considering the information contained in this proxy statement/prospectus, BFHI shareholders should complete, sign and date the enclosed proxy card and return it in the enclosed envelope as soon as possible so that their shares will be represented at BFHI's special meeting.

Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

### **Q: How do I cast my vote?**

**A:** If you are a shareholder of record of BFHI as of the record date for the BFHI special meeting, you may vote by signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. You may also cast your vote in person at BFHI's special meeting.

### **Q: When and where is the BFHI special meeting?**

**A:** The special meeting of BFHI shareholders will be held at the Fort Lauderdale Women's Club, 20 South Andrews Avenue, Fort Lauderdale, Florida 33301, at 4:00 p.m. Eastern Time, on October 2, 2014. All shareholders of BFHI as of the record date, or their duly appointed proxies, may attend the BFHI special meeting.

### **Q: If my BFHI shares are held in street name by a broker or other nominee, will my broker or nominee vote my shares for me?**

**A:** If your BFHI shares are held in street name in a stock brokerage account or by a bank or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to BFHI or by voting in person at the special meeting unless you provide a legal proxy, which you must obtain from your bank or broker.

Brokers or other nominees who hold shares in street name for a beneficial owner typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers or other nominees are not allowed to exercise their voting discretion on matters that are determined to be non-routine without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker or other nominee that are represented at the BFHI special meeting but with respect to which the broker or other nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker or other nominee does not have discretionary voting power on such proposal. If you are a BFHI shareholder and you do not instruct your broker or other nominee on how to vote your shares, your broker or other nominee may not vote your shares on the Merger Proposal or the Adjournment Proposal, which broker non-votes will have the effect of a vote **AGAINST** the Merger Proposal, but will have no effect on the Adjournment Proposal.

**Q: What vote is required to approve each proposal to be considered at the BFHI special meeting?**

**A:** Approval of the Merger Proposal requires the affirmative vote of the holders of at least a majority of the outstanding shares of BFHI common stock. Approval of the Adjournment Proposal requires the affirmative

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vote of at least a majority of the shares of BFHI voting on such proposal, provided that a quorum is present at the BFHI special meeting.

Abstentions and broker non-votes are not considered votes cast, but are included in determining whether there is a quorum present.

BFHI's directors and certain officers entered into voting agreements with HBI pursuant to which they agreed to vote approximately 648,550 total shares in favor of the merger. These shares represent approximately 39.32% of the BFHI common stock entitled to vote at the BFHI special meeting (excluding any shares issued upon exercise of BFHI warrants or options).

### **Q: What if I abstain from voting or do not vote?**

**A:** For the purposes of the BFHI special meeting, an abstention, which occurs when a BFHI shareholder attends the BFHI special meeting, either in person or by proxy, but abstains from voting, will have the effect of a vote AGAINST the Merger Proposal, but will have no effect on the Adjournment Proposal.

### **Q: May I change my vote or revoke my proxy after I have delivered my proxy or voting instruction card?**

**A:** Yes. You may change your vote at any time before your proxy is voted at the special meeting:

by sending written notice of revocation to the corporate secretary of BFHI;

by sending a completed proxy card bearing a later date than your original proxy card; or

by attending the special meeting and voting in person if you so request and if your shares are registered in your name rather than in the name of a broker, bank or other nominee; however, your attendance alone will not revoke any proxy.

If you choose either of the first two methods, you must take the described action (and, in the case of the second method, your proxy card must be received) no later than five (5) days prior to the special meeting.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

### **Q: What happens if I sell my BFHI shares after the record date but before the special meeting?**

**A:** The record date for the BFHI special meeting is earlier than both the date of such meeting and the date that the merger is expected to be completed. If you transfer your BFHI common stock after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting), but you will not have the right to receive any merger consideration for the transferred BFHI shares. You will only be entitled to receive the merger consideration for BFHI shares that you own at the effective time of the merger.

### **Q: What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?**

**A:** If you hold shares directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the special meeting. These should each be voted or returned separately to ensure that all of your shares are voted.

**Q: What are the federal income tax consequences of the merger?**

**A:** Gain (but not loss), if any, will be recognized by BFHI shareholders in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash (excluding any cash received in lieu of a fractional share) and the fair market value of the HBI common stock received pursuant to the merger over the adjusted tax basis in the BFHI common stock surrendered), and (2) the amount of

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cash received by such holder of BFHI common stock (excluding any cash received in lieu of a fractional share). The consequences of the merger to any particular shareholder will depend on that shareholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the merger.

No gain or loss will be recognized by HBI or BFHI as a result of merger. The obligation of HBI and BFHI to complete the merger is conditioned upon the receipt of a legal opinion to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code).

For a more detailed discussion of the material United States federal income tax consequences of the transaction, see Material United States Federal Income Tax Consequences of the Merger beginning on page 62.

**Q: Do I have appraisal or dissenters' rights?**

**A:** BFHI shareholders are entitled to appraisal rights under Florida Statutes Annotated § 607.1301 *et seq.*, a copy of which is attached as **Appendix C** to this proxy statement/prospectus. If you wish to assert appraisal rights, you must deliver to BFHI, at or prior to the BFHI special meeting, written notice of your intent to demand payment for your shares if the merger is consummated and you must not vote for approval of the Merger Proposal. The procedure for dissenting is described in more detail in The Merger section under the heading Appraisal Rights beginning on page 36.

HBI shareholders are not entitled to any appraisal or dissenters' rights.

**Q: Should I send in my stock certificates now?**

**A:** No. Please do not send your stock certificates with your proxy card. If you are a holder of BFHI common stock, you will receive written instructions from Computershare Trust Company, N.A., after the merger is completed on how to exchange your stock certificates for HBI common stock.

**Q: Whom should I contact if I have any questions about the proxy materials or the special meeting?**

**A:** If you have any questions about the merger or any of the proposals to be considered at the special meeting, need assistance in submitting your proxy or voting your shares or need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact either HBI or BFHI as follows:

Home BancShares, Inc.  
P.O. Box 966  
Conway, Arkansas 72032  
Attn: Investor Relations Officer  
Telephone: (501) 328-4770

Broward Financial Holdings, Inc.  
101 Northeast 3rd Avenue  
Fort Lauderdale, Florida 33301  
Attn: President and Chief Executive Officer  
Telephone: (954) 761-4900

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*This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer you in order to fully understand the merger and the related transactions. See *Where You Can Find More Information* included elsewhere in this proxy statement/prospectus. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.*

**The Companies (pages 74 and 79)****HBI**

HBI is a Conway, Arkansas headquartered bank holding company registered under the federal Bank Holding Company Act of 1956. HBI is primarily engaged in providing a broad range of commercial and retail banking and related financial services to businesses, real estate developers and investors, individuals and municipalities through its wholly owned community bank subsidiary, Centennial Bank. Centennial Bank has locations in Arkansas, Florida and South Alabama.

HBI's total assets, total deposits, total revenue and net income for each of the past three years are as follows:

	As of or for the Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Total assets	\$ 6,811,861	\$ 4,242,130	\$ 3,604,117
Total deposits	5,393,046	3,483,452	2,858,031
Total revenue (interest income plus non-interest income)	257,491	225,104	213,115
Net income available to all stockholders	66,520	63,022	54,741

HBI's common stock is traded on The NASDAQ Global Select Market under the symbol HOMB.

HBI's principal executive office is located at 719 Harkrider, Suite 100, Conway, Arkansas, and its telephone number is (501) 328-4770. HBI's internet address is [www.homebancshares.com](http://www.homebancshares.com). Additional information about HBI is included under *Certain Information Concerning HBI* and *Where You Can Find More Information* included elsewhere in this proxy statement/prospectus.

**BFHI**

BFHI is a bank holding company headquartered in Fort Lauderdale, Florida. Broward Bank, BFHI's wholly owned subsidiary, is a Florida-chartered non-member state bank which commenced operations in 2008. Broward Bank is a full service commercial bank, providing a wide range of business and consumer financial services to its customers primarily in Broward County, Florida. At June 30, 2014, BFHI had total assets of approximately \$168.7 million, total loans of approximately \$110.8 million, total deposits of approximately \$143.7 million, and total shareholders' equity of approximately \$20.2 million.

BFHI's common stock is not listed on any exchange or quoted on any automated services, and there is no established trading market for shares of BFHI common stock.

BFHI's principal office is located at 101 Northeast 3rd Avenue, Fort Lauderdale, Florida 33301 and its telephone number at that location is (954) 761-4900. BFHI's internet address is [www.browardbankofcommerce.com](http://www.browardbankofcommerce.com). Additional information about BFHI is included under *Certain Information Concerning BFHI* included elsewhere in this proxy statement/prospectus.



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### ***Acquisition Sub***

A corporation ( Acquisition Sub ) will be formed prior to the closing of the merger, and will be a wholly owned subsidiary of HBI. Acquisition Sub will not conduct any activities other than those incidental to its formation and the matters contemplated by the Merger Agreement.

### **The Merger (page 34)**

The Merger Agreement provides that, subject to its terms and conditions and in accordance with Arkansas law, Acquisition Sub will merge with and into BFHI, with BFHI being the surviving corporation in the merger and thereby becoming a wholly owned subsidiary of HBI. This transaction is referred to in this proxy statement/prospectus as the merger. As soon as reasonably practicable, following the merger and as part of a single integrated transaction, Broward Bank will be merged with and into Centennial Bank, which is HBI's wholly owned bank subsidiary, with Centennial Bank being the surviving corporation in that second step merger.

Under the terms of the Merger Agreement, BFHI shareholders will receive aggregate merger consideration of approximately \$33,060,001 (assuming no adjustments are made to the Purchase Price) to \$33,960,001 (the maximum amount which may be received as a result of adjustments to the Purchase Price). Each BFHI shareholder therefore will receive a pro rata share of the total merger consideration, which consists of (i) approximately \$3,306,000 to \$3,396,000 in cash, and (ii) shares of HBI common stock with a total value of approximately \$29,754,001 to \$30,564,001, based on the volume-weighted average closing price of HBI common stock for the 20 trading days immediately prior to the date the merger closes (the HBI Average Closing Price ). Based on 1,996,663 outstanding shares of BFHI common stock (which is equal to the sum of 1,649,512 shares the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 47,150 shares issuable upon a cashless termination of all BFHI stock options outstanding on the date of the Merger Agreement), BFHI shareholders will receive in exchange for each share of BFHI common stock merger consideration valued at approximately \$16.5576 (at a \$33,060,001 Purchase Price) to \$17.0084 (at a \$33,960,001 Purchase Price).

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The number of shares of HBI common stock comprising the portion of the per-share merger consideration to be paid in shares of HBI common stock will vary based on the HBI Average Closing Price. The following table illustrates, for a range of potentially applicable HBI Average Closing Prices, the number of shares of HBI common stock that would be exchanged for each share of BFHI common stock, assuming that 1,996,663 shares or 2,064,513 shares (which is equal to the sum of 1,649,512 shares the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 115,000 shares issuable upon full exercise of all BFHI stock options outstanding on the date of the Merger Agreement) of BFHI common stock are outstanding immediately before the merger based on a Purchase Price of \$33,060,001 or \$33,960,001. The actual consideration will be based on the actual HBI Average Closing Price, which will be computed at the time of the merger. The HBI Average Closing Prices shown on this table are for illustration only. Cash will be paid in lieu of issuing fractional shares of HBI common stock.

If the applicable HBI Average Closing Price is:	Per-Share Stock Consideration*			
	Each share of BFHI common stock will exchange for the following fractional share of HBI common stock:			
	If Purchase Price is \$33,060,001 and 1,996,663 shares of BFHI Common Stock are outstanding	If Purchase Price is \$33,960,001 and 1,996,663 shares of BFHI Common Stock are outstanding	If Purchase Price is \$33,060,001 and 2,064,513 shares of BFHI Common Stock are outstanding	If Purchase Price is \$33,960,001 and 2,064,513 shares of BFHI Common Stock are outstanding
\$28.05**	0.5313	0.5457	0.5138	0.5278
\$29.00	0.5139	0.5278	0.4970	0.5105
\$30.00	0.4967	0.5103	0.4804	0.4935
\$30.95**	0.4815	0.4946	0.4657	0.4783
\$31.00	0.4807	0.4938	0.4649	0.4776
\$32.00	0.4657	0.4784	0.4504	0.4626
\$33.00	0.4516	0.4639	0.4367	0.4486
\$34.00	0.4383	0.4502	0.4239	0.4354
\$35.00	0.4258	0.4374	0.4118	0.4230
\$36.00	0.4139	0.4252	0.4003	0.4112
\$37.00	0.4028	0.4137	0.3895	0.4001
\$37.95**	0.3927	0.4034	0.3798	0.3901

\* The Per-Share Stock Consideration will be based on the actual HBI Average Closing Price, which will be computed at the time of the merger; the HBI Average Closing Prices shown on this table are for illustration only. Cash will be paid in lieu of issuing fractional shares of HBI common stock.

\*\* On July 30, 2014, the date the Merger Agreement was signed, the closing price of a share of HBI common stock was \$30.95. The Merger Agreement provides that if the HBI Average Closing Price is equal to or greater than \$37.95, then the HBI Average Closing Price will be \$37.95. Additionally, if the HBI Average Closing Price is equal to or below \$28.05, then the HBI Average Closing Price will be \$28.05. For illustrative purposes only, assuming the HBI Average Closing Price is \$30.95 and the Purchase Price is \$33,060,001 and there are 1,996,663 shares of BFHI common stock outstanding immediately before the merger, a BFHI shareholder holding 100 shares of BFHI common stock will receive \$165.58 in cash for the cash portion of the merger consideration, 48 shares of HBI common stock, and \$4.64 in cash in lieu of the resulting fractional share.

Based on the assumption that 961,357 shares of HBI common stock will be issued to BFHI shareholders (based on a Purchase Price with no adjustment (\$33,060,001), a \$30.95 HBI Average Closing Price and no cash in lieu of fractional shares paid), BFHI shareholders would own approximately 1.43% of HBI's common stock after the merger is completed, excluding any shares of HBI common stock they may already own.



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### **Recommendation of BFHI's Board of Directors (page 41)**

BFHI's board of directors recommends that holders of BFHI common stock vote **FOR** the Merger Proposal, and **FOR** the Adjournment Proposal.

For further discussion of BFHI's reasons for the merger and the recommendations of BFHI's board of directors, see [The Merger Background of the Merger](#) and [The Merger Recommendation of BFHI's Board of Directors and Reasons for the Merger](#).

### **Opinion of BFHI's Financial Advisor (page 42)**

On July 29, 2014, Hovde Group, LLC ( [Hovde](#) ), BFHI's financial advisor in connection with the merger, provided the BFHI board of directors with an overview of its analyses performed as of the date of the meeting and advised the board that its analyses were as of such date and based upon and subject to various qualifications and assumptions described in the meeting. Hovde delivered its opinion to the board on July 29, 2014, that, as of such date and subject to and based upon the qualifications and assumptions set forth in its written opinion, the merger consideration was fair, from a financial point of view, to the shareholders of BFHI.

The full text of Hovde's opinion, dated July 29, 2014, is attached as **Appendix B** to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of, among other things, the assumptions made, procedures followed, matters considered and any limitations on the review undertaken by Hovde in rendering its opinion.

Hovde's opinion is addressed to BFHI's board of directors and addresses only the fairness of the merger consideration to be received by BFHI shareholders from a financial point of view and does not address the merits of the underlying decision by BFHI to enter into the Merger Agreement, the merits to the merger as compared to other alternatives potentially available to BFHI or the relative effects of any alternative transaction in which BFHI might engage. Hovde will be paid a fee for its services in connection with the delivery of its opinion, and will be reimbursed by BFHI for certain of its expenses.

### **Interests of BFHI Directors and Officers in the Merger (page 49)**

Certain of BFHI's directors and officers may have interests in the merger as individuals in addition to, or different from, their interests as shareholders of BFHI, including, but not limited to, (i) share issuances or cash payments in connection with the termination of their stock options; (ii) cash payments in connection with the termination of their employment agreements; and (iii) continuation of indemnification after the merger.

HBI has agreed to indemnify present and former directors and officers of BFHI and its subsidiaries against certain costs, damages or liabilities incurred in connection with claims, investigations and other actions arising out of or pertaining to matters existing or occurring at or prior to the effective time of the merger, and to provide them with director's and officer's liability insurance coverage for a period of six years following the merger.

### **Appraisal Rights (page 36)**

BFHI shareholders are entitled to appraisal rights under Florida Statutes Annotated § 607.1301 *et seq.*, a copy of which is attached as **Appendix C** to this proxy statement/prospectus. Those rights, if properly exercised, will allow a shareholder who does not wish to accept the consideration provided for by the Merger Agreement instead to obtain payment in cash of the fair value of the shareholder's shares of BFHI common stock. If you wish to assert appraisal rights, you must deliver to BFHI, at or prior to the BFHI special meeting, written notice of your intent to demand payment for your shares if the proposed merger is consummated and you must not vote for approval of the Merger Proposal. The procedure for dissenting is described in more detail in [The Merger](#) section under the heading [Appraisal Rights](#).

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HBI shareholders are not entitled to any appraisal or dissenters' rights.

### **Regulatory Matters (page 37)**

Each of HBI and BFHI has agreed to use its reasonable best efforts to obtain all regulatory approvals required to complete the merger and the other transactions contemplated by the Merger Agreement. These approvals include approval from the Federal Reserve Board, the Arkansas State Bank Department and the Florida Office of Financial Regulation, among others. HBI and BFHI have filed, or are in the process of filing, applications and notifications to obtain these regulatory approvals. There can be no assurances that such approvals will be received on a timely basis, or as to the ability of HBI and BFHI to obtain the approvals on satisfactory terms or the absence of litigation challenging such approvals. See The Merger Regulatory Approvals.

### **Conditions to Completion of the Merger (page 58)**

Currently, HBI and BFHI expect to complete the merger in the fourth quarter of 2014. As more fully described in this proxy statement/prospectus and in the Merger Agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. We cannot provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party.

### **Termination of the Merger Agreement (page 59)**

The Merger Agreement can be terminated at any time prior to completion of the merger by mutual consent, or by either party in the following circumstances:

a governmental entity that must grant a required regulatory approval has denied approval and such denial has become final and non-appealable, or an injunction or legal prohibition against the transaction becomes final and non-appealable;

the merger has not been consummated by March 31, 2015, or under certain circumstances, April 30, 2015 (unless the failure of the closing to occur by such date is due to the failure of the party seeking to terminate the Merger Agreement to perform or observe its covenants and agreements);

the other party breaches any of its covenants or agreements or representations or warranties under the Merger Agreement in a manner that would cause the closing conditions not to be satisfied and which is not cured within 30 days following written notice to the party committing the breach, or the breach, by its nature, cannot be cured within such time (provided that the terminating party is not then in material breach of any representation, warranty, covenant, or other agreement contained in the Merger Agreement); or

BFHI's shareholders fail to approve the Merger Proposal, provided that the failure to obtain such shareholder approval was not caused by the terminating party's material breach of any of its obligations under the Merger Agreement.

Additionally, the Merger Agreement may be terminated by (i) BFHI in order to enter into an agreement providing for a Superior Proposal (as defined in the Merger Agreement), upon payment to HBI of a termination fee \$1,700,000, or (ii) HBI, if the holders of 5% or more of the outstanding shares of BFHI common stock provide notice of dissent and do not vote in favor of the merger, or (iii) HBI, if BFHI has not received at least \$3,000,000 from the exercise of BFHI stock warrants and BFHI stock options.

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### **Expenses and Termination Fees (pages 59 and 61)**

Except for the registration fee and other fees paid to the SEC in connection with the merger, which will be paid by HBI, and any termination fees, all fees and expenses incurred in connection with the merger (including the costs and expense of printing and mailing this proxy statement/prospectus) will be paid by the party incurring such fees or expenses.

BFHI is required to pay HBI a termination fee of \$1,700,000 if the Merger Agreement is terminated by BFHI in order to enter into an agreement providing for a Superior Proposal (as defined in the Merger Agreement) or by HBI because (i) BFHI violated the no solicitation provision of the Merger Agreement, (ii) the board of directors of BFHI failed to recommend the merger; (iii) the BFHI board of directors has recommended, proposed, or publicly announced its intention to recommend or propose to engage in a transaction resulting in a Superior Proposal; or (iv) BFHI has failed to call, give notice of, convene and hold the BFHI shareholder meeting in accordance with the Merger Agreement.

### **Matters to Be Considered at the Special Meeting (page 75)**

BFHI shareholders will be asked to vote on the following proposals:

to approve the Merger Agreement (the Merger Proposal ); and

to approve one or more adjournments of the BFHI special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the Merger Proposal (the Adjournment Proposal ).

Approval of the Merger Proposal is required for the completion of the merger. BFHI's board of directors recommends that BFHI shareholders vote **FOR** the proposals set forth above. For further discussion of the BFHI special meeting, see BFHI Special Meeting of Shareholders.

Approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of BFHI. Certain directors and officers have entered into voting agreements pursuant to which they have agreed to vote approximately 648,550 shares in favor of the merger. These shares represent approximately 39.32% of the BFHI common stock entitled to vote at the BFHI special meeting (excluding any shares issued upon exercise of BFHI warrants or options).

### **Rights of BFHI Shareholders Will Change as a Result of the Merger (page 67)**

The rights of BFHI shareholders are governed by Florida law and by its articles of incorporation and bylaws. Upon the completion of the merger, BFHI shareholders will no longer have any direct interest in BFHI. Those BFHI shareholders receiving shares of HBI common stock as merger consideration will only participate in the combined company's future earnings and potential growth through their ownership of HBI common stock. All of the other incidents of direct stock ownership in BFHI will be extinguished upon completion of the merger. The rights of former BFHI shareholders that become HBI shareholders will be governed by Arkansas law and HBI's articles of incorporation and bylaws. Therefore, BFHI shareholders that receive HBI common stock in the merger will have different rights once they become HBI shareholders. See Comparison of Rights of Holders of HBI and BFHI Common Stock.

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**RISK FACTORS**

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including HBI's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and the matters addressed under the caption "Cautionary Note Regarding Forward-Looking Statements," BFHI shareholders should consider the matters described below carefully in determining whether to vote to approve the Merger Agreement and the transactions contemplated by the Merger Agreement.

**Risk Factors Relating to the Merger**

*Because the market price of HBI common stock may fluctuate, you cannot be sure of the value of each share of HBI common stock that you will receive.*

Upon completion of the merger, each share of BFHI common stock (other than certain shares owned by BFHI) will be converted into the right to receive merger consideration consisting of cash and shares of HBI common stock, pursuant to the terms of the Merger Agreement. The value of each share of HBI common stock to be received by BFHI shareholders will be based on the volume-weighted average price of HBI common stock during the 20 trading day period before the effective time of the merger. This average price may vary from the closing price of HBI common stock on the date that the merger was announced, on the date that this proxy statement/prospectus was mailed to BFHI shareholders, on the date of the special meeting of the BFHI shareholders, and on the date the merger is completed. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of HBI and BFHI. BFHI shareholders should obtain current market quotations for shares of HBI common stock before voting their shares at the BFHI special meeting.

*HBI may fail to realize all of the anticipated benefits of the merger.*

The success of the merger will depend, in part, on HBI's ability to successfully combine the HBI and BFHI organizations. If HBI is not able to achieve this objective, the anticipated benefits of the merger may not be realized fully or at all or may take longer than expected to be realized.

HBI and BFHI have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process or other factors could result in the loss or departure of key employees, the disruption of the ongoing business of BFHI or inconsistencies in standards, controls, procedures and policies. It is also possible that clients, customers, depositors and counterparties of BFHI could choose to discontinue their relationships with the combined company post-merger because they prefer doing business with BFHI or for any other reason, which would adversely affect the future performance of the combined company. These transition matters could have an adverse effect on each of HBI and BFHI during the pre-merger period and for an undetermined time after the completion of the merger.

*The results of operations of HBI after the merger may be affected by factors different from those currently affecting the results of operations of HBI and BFHI.*

The businesses of HBI and BFHI differ in certain respects and, accordingly, the results of operations of the combined company and the market price of HBI's common stock may be affected by factors different from those currently affecting the independent results of operations of HBI and BFHI. For a discussion of the business of HBI and certain factors to be considered in connection with HBI's business, see "Information Concerning Home BancShares" and the documents incorporated by reference in this proxy statement/prospectus and referred to under "Where You Can Find More Information." For a discussion of the business of BFHI, see "Information Concerning BFHI."

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***The Merger Agreement limits BFHI's ability to pursue an alternative transaction and requires BFHI to pay a termination fee under certain circumstances relating to alternative acquisition proposals.***

The Merger Agreement prohibits BFHI from soliciting, initiating, encouraging or knowingly facilitating certain alternative acquisition proposals with any third party, subject to exceptions set forth in the Merger Agreement. The Merger Agreement also provides for the payment by BFHI to HBI of a termination fee of \$1,700,000 in the event that the Merger Agreement is terminated in connection with another acquisition proposal or under certain other circumstances. These provisions may discourage a potential competing acquiror that might have an interest in acquiring BFHI from considering or proposing such an acquisition. See "The Merger Agreement Termination; Termination Fee" included elsewhere in this proxy statement/prospectus.

***The fairness opinion that BFHI has obtained, has not been, and is not expected to be, updated to reflect any changes in circumstances that may have occurred since the signing of the Merger Agreement.***

The fairness opinion issued to BFHI, regarding the fairness, from a financial point of view, of the consideration to be paid in connection with the merger, speaks only as to its date. Changes in the operations and prospects of HBI or BFHI, general market and economic conditions and other factors which may be beyond the control of HBI and BFHI, and on which the fairness opinion was based, may have altered the value of HBI or BFHI or the market prices of shares of HBI or BFHI as of the date of this proxy statement/prospectus, or may alter such values and market prices by the time the merger is completed. The financial advisor does not have any obligation to update, revise or reaffirm its opinion to reflect subsequent developments, and has not done so. Because BFHI does not currently anticipate asking its financial advisor to update the opinion, the opinion will not address the fairness of the merger consideration from a financial point of view at the time the merger is completed. BFHI's board of directors' recommendation that BFHI shareholders vote **FOR** approval of the Merger Agreement is, however, made as of the date of this proxy statement/prospectus. For a description of the opinion that BFHI received from its financial advisor, see "Opinion of BFHI's Financial Advisor" included elsewhere in this proxy statement/prospectus.

***The merger is subject to the receipt of consents and approvals from governmental entities that may impose conditions that could have an adverse effect on the combined company following the merger.***

Before the merger may be completed, various approvals and consents must be obtained from the Federal Reserve Board, the Arkansas State Bank Department, the Florida Office of Financial Regulation and various other securities, antitrust, and regulatory authorities. These governmental entities may impose conditions on the granting of such approvals and consents. Although HBI and BFHI do not currently expect that any such material conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger. In addition, each of HBI and BFHI has agreed to use their commercially reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the merger. Such actions may entail costs and may adversely affect HBI, BFHI, or the combined company following the merger.

***The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may adversely affect BFHI.***

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approval of the BFHI shareholders. If any condition to the merger is not satisfied or waived, to the extent permitted by law, the merger will not be completed. In addition, HBI and BFHI may terminate the Merger Agreement under certain circumstances even if the Merger Agreement is approved by BFHI shareholders. If HBI and BFHI do not complete the merger, neither company would realize any of the expected benefits of having completed the merger. If the merger is not completed and BFHI's board of directors seeks another merger or



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business combination, BFHI shareholders cannot be certain that BFHI will be able to find a party willing to offer equivalent or more attractive consideration than the consideration HBI has agreed to provide in the merger. If the merger is not completed, additional risks could materialize, which could materially and adversely affect the business, financial condition and results of BFHI. For more information on closing conditions to the Merger Agreement, see *The Merger Agreement Conditions to the Merger* included elsewhere in this proxy statement/prospectus.

### ***The combined company expects to incur substantial expenses related to the merger.***

The combined company expects to incur substantial expenses in connection with completing the merger and combining the business, operations, networks, systems, technologies, policies and procedures of the two companies. Although HBI and BFHI have assumed that a certain level of transaction and combination expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their combination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Due to these factors, the transaction and combination expenses associated with the merger could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the combination of the businesses following the completion of the merger. As a result of these expenses, both HBI and BFHI expect to take charges against their earnings before and after the completion of the merger. The charges taken in connection with the merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present.

### ***Shares of HBI common stock to be received by BFHI shareholders as a result of the merger will have rights different from the shares of BFHI common stock.***

Upon completion of the merger, the rights of former BFHI shareholders who receive HBI common stock in the merger and thereby become HBI shareholders will be governed by the articles of incorporation and bylaws of HBI. The rights associated with BFHI common stock are different from the rights associated with HBI common stock. See *Comparison of Rights of Holders of HBI and BFHI Common Stock* beginning on page 67 for a discussion of the different rights associated with HBI common stock.

### ***Certain BFHI directors and officers may have interests in the merger different from the interests of BFHI shareholders.***

In considering the recommendations of the board of directors of BFHI, BFHI shareholders should be aware that certain directors and officers of BFHI have interests in the merger that may differ from, or may be in addition to, the interests of BFHI shareholders generally. The board of directors of BFHI was aware of these interests and considered them, among other matters, when it adopted the Merger Agreement and in making its recommendations that the BFHI shareholders approve the Merger Proposal. These interests include:

Certain BFHI directors and officers may receive cash payments in connection with the termination of their stock options;

Certain BFHI officers are parties to employment agreements that provide severance and other benefits upon or following a change in control of BFHI in connection with a qualifying termination of employment; and

BFHI directors and officers are entitled to indemnification and insurance coverage under the Merger Agreement.

For a more complete description of the interests of BFHI directors and officers in the merger, see *The Merger Interests of BFHI's Directors and Officers in the Merger*.

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***HBI's decisions regarding credit risk could be inaccurate and its allowance for loan losses may be inadequate, which would materially and adversely affect HBI.***

HBI's management makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of its secured loans. HBI endeavors to maintain an allowance for loan losses that it considers adequate to absorb future losses that may occur in its loan portfolio. In determining the size of the allowance, HBI analyzes its loan portfolio based on its historical loss experience, volume and classification of loans, volume and trends in delinquencies and non-accruals, national and local economic conditions, and other pertinent information. The economic conditions particularly in its Florida market have improved but not to pre-recession levels. These conditions may continue or could even worsen. During the first six months of 2014, the allowance for loan losses for non-covered loans increased by 23.6%. As of June 30, 2014, HBI's allowance for loan losses for non-covered loans was approximately \$48.2 million, or 1.17% of its total loans receivable not covered by loss share.

If HBI's assumptions are incorrect, its current allowance may be insufficient to absorb future loan losses, and increased loan loss reserves may be needed to respond to different economic conditions or adverse developments in its loan portfolio. When there is an economic downturn, it is more difficult for HBI to estimate the losses that it will experience in its loan portfolio. In addition, federal and state regulators periodically review its allowance for loan losses and may require HBI to increase its allowance for loan losses or recognize further loan charge-offs based on judgments different than those of its management. Any increase in its allowance for loan losses or loan charge-offs could have a negative effect on HBI's operating results.

***HBI's high concentration of real estate loans exposes it to increased lending risk.***

As of June 30, 2014, the primary composition of HBI's total loan portfolio was as follows:

commercial real estate loans (excludes construction/land development) of \$1.91 billion, or 43.3% of total loans;

construction/land development loans of \$648.0 million, or 14.7% of total loans;

commercial and industrial loans of \$454.8 million, or 10.3% of total loans;

residential real estate loans of \$1.21 billion, or 27.5% of total loans; and

consumer loans of \$56.2 million, or 1.3% of total loans.

Commercial real estate, construction/land development and commercial and industrial loans, which comprised 68.3% of HBI's total loan portfolio as of June 30, 2014, exposes it to a greater risk of loss than HBI's residential real estate and consumer loans, which comprised 28.8% of its total loan portfolio as of June 30, 2014. Commercial real estate and land development loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential loans. Consequently, an adverse development with respect to one commercial loan or one credit relationship exposes HBI to a significantly greater risk of loss compared to an adverse development with respect to one residential mortgage loan.

Approximately 87.2% of HBI's loans as of June 30, 2014, are to borrowers in Alabama, Arkansas and Florida, the three states in which HBI has its primary market areas. An adverse development with respect to the market conditions of these specific market areas could expose HBI to a greater risk of loss than a portfolio that is spread among a larger geography base.

HBI's concentration in commercial real estate loans exposes it to greater risk associated with those types of loans. The repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related real estate or commercial project. If the cash flows from the project are reduced, a



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borrower's ability to repay the loan may be impaired. This cash flow shortage may result in the failure to make loan payments. In such cases, HBI may be compelled to modify the terms of the loan, or in the most extreme cases, it may have to foreclose. In addition, the nature of these loans is such that they are generally less predictable and more difficult to evaluate and monitor. As a result, repayment of these loans may, to a greater extent than residential loans, be subject to adverse conditions in the real estate market or economy.

HBI has 85.6% of its loans as real estate loans primarily in Arkansas, Florida and South Alabama, and this poses a concentration risk, especially if the Florida area does not continue to improve or once again deteriorates resulting in depressed sales prices and low sales volume, combined with increased delinquencies and foreclosures on residential and commercial real estate loans.

***Depressed local economic and housing markets have led to loan losses and reduced earnings in the past and could lead to additional loan losses and reduced earnings.***

Beginning in 2007, the Florida markets experienced a dramatic reduction in housing and real estate values, coupled with significantly higher unemployment. These conditions contributed to increased non-performing loans and reduced asset quality during this time period. While market conditions in the Florida markets have begun to improve, HBI continues to experience higher non-performing loans and reduced asset quality in these markets as compared to pre-recession levels. As of June 30, 2014, HBI's non-performing, non-covered loans totaled approximately \$45.0 million, or 1.09% of total non-covered loans. Non-performing, non-covered assets were approximately \$66.0 million as of this same date, or 1.04% of total non-covered assets. In addition, HBI had approximately \$16.0 million in accruing non-covered loans that were between 30 and 89 days delinquent as of June 30, 2014. If these markets do not continue to improve or once again deteriorate, they may lead to additional valuation adjustments on HBI's loan portfolios and real estate owned as it continues to reassess the market value of its loan portfolio, the losses associated with the loans in default and the net realizable value of real estate owned.

HBI's non-performing assets adversely affect its net income in various ways. If economic and market conditions do not continue to improve, HBI could incur additional losses relating to increased non-performing loans. HBI does not record interest income on non-accrual loans or other real estate owned, thereby adversely affecting its income, and its loan administration costs. When HBI takes collateral in foreclosures and similar proceedings, it is required to mark the related loan to the then-fair market value of the collateral, which may result in a loss. These loans and other real estate owned also increase its risk profile and the capital HBI's regulators believe is appropriate in light of such risks. In addition, the resolution of non-performing assets requires significant commitments of time from management and HBI's directors, which can be detrimental to the performance of their other responsibilities. These effects, individually or in the aggregate, could have an adverse effect on HBI's financial condition and results of operations.

While HBI believes its allowance for loan losses is adequate as of June 30, 2014, as additional facts become known about relevant internal and external factors that affect loan collectability and HBI's assumptions, it may result in HBI making additions to the provision for loan losses during 2014. Any failure by management to closely monitor the status of the market and make the necessary changes could have a negative effect on HBI's operating results.

Additionally, HBI's success significantly depends upon the growth in population, income levels, deposits and housing starts in its markets. Generally, trends in these factors were negative in the few years following 2007 in the Florida markets and have only partially recovered as of June 30, 2014. If the communities in which HBI operates do not grow or if prevailing economic conditions locally or nationally continue to remain challenging, HBI's business may be adversely affected. HBI is less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, HBI cannot give any assurance it will benefit from any market growth or favorable economic conditions in its primary market areas if they do occur.

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***If the value of real estate in the Florida markets were to stop improving or once again deteriorate, a significant portion of HBI's loans in the Florida market that were not acquired from the FDIC could become under-collateralized, which could have a material adverse effect on HBI.***

As of June 30, 2014, non-covered loans in the Florida market totaled \$756.1 million, or 18.3% of HBI's non-covered loans receivable. Of the Florida loans for which HBI does not have loss sharing, approximately 92.7% were secured by real estate. In the prior years, the difficult local economic conditions have adversely affected the values of HBI's real estate collateral in Florida and it could do so again if the markets were to stop improving or once again deteriorate in the future. The real estate collateral in each case provides an alternate source of repayment on HBI's loans in the event of default by the borrower but may deteriorate in value during the time credit is extended. If HBI is required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, HBI's earnings and capital could be adversely affected.

***Because HBI has a concentration of exposure to a number of individual borrowers, a significant loss on any of those loans could materially and adversely affect HBI.***

HBI has a concentration of exposure to a number of individual borrowers. Under applicable law, Centennial Bank is generally permitted to make loans to one borrowing relationship up to 20% of its Tier 1 capital plus the allowance for loan losses. As of June 30, 2014, the legal lending limit of Centennial Bank for secured loans was approximately \$126.2 million. Currently, HBI's board of directors has established an in-house lending limit of \$20.0 million to any one borrowing relationship without obtaining the approval of both HBI's Chairman John W. Allison and HBI's director Richard H. Ashley.

***A portion of HBI's loans are to customers who have been adversely affected by the home building industry.***

Customers who are builders and developers face greater difficulty in selling their homes in markets where the decrease in housing and real estate values are more pronounced. Consequently, HBI has faced delinquencies and non-performing assets as these customers have been forced to default on their loans. If the housing markets were to stop improving or once again deteriorate, additional downgrades, provisions for loan losses and charge-offs relating to HBI's loan portfolio may occur.

***HBI's cost of funds may increase as a result of general economic conditions, interest rates and competitive pressures.***

HBI's cost of funds may increase as a result of general economic conditions, interest rates and competitive pressures. HBI has traditionally obtained funds principally through local deposits, and HBI has a base of lower cost transaction deposits. Generally, HBI believes local deposits are a more stable source of funds than other borrowings because interest rates paid for local deposits are typically lower than interest rates charged for borrowings from other institutional lenders. In addition, local deposits reflect a mix of transaction and time deposits, whereas brokered deposits typically are less stable time deposits, which may need to be replaced with higher cost funds. HBI's costs of funds and its profitability and liquidity are likely to be adversely affected, if and to the extent HBI has to rely upon higher cost borrowings from other institutional lenders or brokers to fund loan demand or liquidity needs, and changes in HBI's deposit mix and growth could adversely affect its profitability and the ability to expand its loan portfolio.

***The loss of key officers may materially and adversely affect HBI.***

HBI's success depends significantly on the Chairman, John W. Allison, and HBI's executive officers, especially C. Randall Sims, Randy E. Mayor, Brian S. Davis and Kevin D. Hester and on its regional bank presidents Tracy M. French, Robert F. Birch and Russell Davis Carter, III. Centennial Bank, in particular, relies heavily on its management team's relationships in its local communities to generate business. Because HBI does not have employment agreements or non-compete agreements with its employees, its executive officers and

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regional bank presidents are free to resign at any time and accept an employment offer from another company, including a competitor. The loss of services from a member of HBI's current management team may materially and adversely affect its business, financial condition, results of operations and future prospects.

***Recent legislation imposes certain executive compensation and corporate governance requirements, which could adversely affect HBI and its business, including its ability to recruit and retain qualified employees.***

On January 25, 2011, the SEC adopted a final rule implementing certain executive compensation and corporate governance provisions of the Dodd-Frank Act. These provisions make applicable to all public companies certain executive compensation requirements similar to those imposed on participants in the TARP Capital Purchase Program. The SEC rule requires public companies to provide their shareholders with non-binding advisory votes (i) at least once every three years on the compensation paid to their named executive officers, and (ii) at least once every six years on whether they should have a say on pay vote every one, two or three years. A separate, non-binding advisory shareholder vote will be required regarding golden parachute compensation arrangements for named executive officers when a shareholder vote takes place on mergers, acquisitions, dispositions or other transactions that would trigger the parachute payments. Also, the SEC is required to ensure that national listing exchanges, such as the New York Stock Exchange and the NASDAQ, prohibit the listing of any companies that fail to adopt clawback policies pursuant to which incentive-based compensation paid to executives will be subject to clawback based on financial results which were subsequently restated within three years of such payment. The amount of the clawback is the amount in excess of what would have been paid under the restated results. As a public company, HBI is subject to the requirements of these SEC rules, whereas some of HBI's competitors are not publicly traded and therefore not subject to such rules.

These provisions and any future rules issued by the Treasury or the SEC could adversely affect HBI's ability to attract and retain management capable and motivated sufficiently to manage and operate its business through difficult economic and market conditions. If HBI is unable to attract and retain qualified employees to manage and operate its business, HBI may not be able to successfully execute its business strategy.

***HBI's growth and expansion strategy may not be successful and its market value and profitability may suffer.***

Growth through the acquisition of banks, particularly FDIC-assisted transactions, and *de novo* branching represent important components of its business strategy. Any future acquisitions that HBI might make will be accompanied by the risks commonly encountered in acquisitions. These risks include, among other things:

credit risk associated with the acquired bank's loans and investments;

difficulty of integrating operations and personnel; and

potential disruption of its ongoing business.

HBI expects that competition for suitable acquisition candidates may be significant. HBI may compete with other banks or financial service companies with similar acquisition strategies, many of which are larger and have greater financial and other resources. HBI cannot assure you that it will be able to successfully identify and acquire suitable acquisition targets on acceptable terms and conditions.

In the current economic environment, HBI may continue to have opportunities to acquire the assets and liabilities of failed banks in FDIC-assisted transactions. These acquisitions involve risks similar to acquiring existing banks even though the FDIC might provide assistance to mitigate certain risks such as sharing in exposure to loan losses and providing indemnification against certain liabilities of the failed institution. However, because these acquisitions are structured in a manner that would not allow HBI the time normally associated with preparing for integration of an acquired institution, HBI may face additional risks in FDIC-assisted transactions. These risks include, among other things, the loss of customers, strain on management resources related to collection and management of problem loans and problems related to integration of personnel and operating systems.

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In addition to the acquisition of existing financial institutions, as opportunities arise, HBI plans to have some *de novo* branching. *De novo* branching and any acquisition carry with it numerous risks, including the following:

the inability to obtain all required regulatory approvals;

significant costs and anticipated operating losses associated with establishing a *de novo* branch or a new bank;

the inability to secure the services of qualified senior management;

the local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;

economic downturns in the new market;

the inability to obtain attractive locations within a new market at a reasonable cost; and

the additional strain on management resources and internal systems and controls.

HBI cannot assure that it will be successful in overcoming these risks or any other problems encountered in connection with acquisitions (including FDIC-assisted transactions) and *de novo* branching. HBI's inability to overcome these risks could have an adverse effect on its ability to achieve its business strategy and maintain its market value and profitability.

***HBI's loss-sharing agreements with the FDIC limit its ability to enter into certain change of control transactions, including the sale of significant amounts of its common stock by HBI or its shareholders, without the consent of the FDIC.***

The loss-sharing agreements that HBI entered into with the FDIC in connection with its FDIC-assisted acquisitions require the consent of the FDIC in connection with certain change of control transactions, including the sale by HBI or by any individual shareholder, or group of shareholders acting in concert, of shares of its common stock totaling more than 9% of its outstanding common stock. This requirement could restrict or delay HBI's ability to raise additional capital to fund acquisition or growth opportunities or for other purposes, or to pursue a merger or consolidation transaction that management may believe is in the best interest of its shareholders. This could also restrict or delay the ability of HBI's shareholders to sell a substantial amount of its shares. In addition, if such a transaction were to occur without the FDIC's consent, HBI could lose the benefit of the loss-share coverage provided by these agreements for certain covered assets.

***There may be undiscovered risks or losses associated with HBI's bank acquisitions which would have a negative impact upon its future income.***

HBI's growth strategy includes strategic acquisitions of banks. HBI has acquired 16 banks since it started its first subsidiary bank in 1999, including six in 2010, three in 2012, one in 2013, and one in 2014 and will continue to consider strategic acquisitions, with a primary focus on Arkansas, Florida, South Alabama and other nearby markets. In most cases, other than in connection with FDIC-assisted transactions and its acquisition of Vision Bank in 2012, HBI's acquisition of a bank includes the acquisition of all of the target bank's assets and liabilities, including its loan portfolio. There may be instances when HBI, under its normal operating procedures, may find after the acquisition that there may be additional losses or undisclosed liabilities with respect to the assets and liabilities of the target bank, and, with respect to its loan portfolio, that the ability of a borrower to repay a loan may have become impaired, the quality of the value of the collateral securing a loan may fall below HBI's standards, or the allowance for loan losses may not be adequate. One or more of these factors might cause HBI to have additional losses or liabilities, additional loan charge-offs, or increases in allowances for loan losses, which would have a negative impact upon HBI's financial condition and results of operations.





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***Changes in national and local economic conditions could lead to higher loan charge-offs in connection with HBI's acquisitions.***

In connection with HBI's acquisitions since 2010, it has acquired a significant portfolio of loans. Although HBI marked down the loan portfolios it has acquired, there is no assurance that the non-impaired loans acquired by HBI will not become impaired or that the impaired loans will not suffer further deterioration in value resulting in additional charge-offs to the acquired loan portfolio. Fluctuations in national, regional and local economic conditions, including those related to local residential and commercial real estate and construction markets, may increase the level of charge-offs HBI makes to its loan portfolio, and, may consequently, reduce its net income. Such fluctuations may also increase the level of charge-offs on the loan portfolios HBI has acquired in the acquisitions and correspondingly reduce HBI's net income. These fluctuations are not predictable, cannot be controlled and may have a material adverse impact on HBI's operations and financial condition even if other favorable events occur.

Although in connection with the 2010 FDIC-assisted acquisitions HBI entered into loss sharing agreements with the FDIC, which provide a significant portion of losses related to specified loan portfolios HBI acquired will be indemnified by the FDIC, HBI is not protected from all losses resulting from charge-offs with respect to those specified loan portfolios. Additionally, the loss sharing agreements have limited terms, which begin to expire in 2015; therefore, any charge-off of related losses that HBI experiences after the term of the loss sharing agreements will not be reimbursed by the FDIC and will negatively impact HBI's net income.

***The expiration of HBI's loss sharing agreements in connection with its 2010 FDIC-assisted acquisitions may result in write-downs to HBI's FDIC indemnification asset to the extent expected loan losses do not occur within the loss share coverage window, which could have a material adverse effect on HBI's financial condition.***

In conjunction with HBI's FDIC-assisted transactions, HBI entered into loss sharing agreements with the FDIC which cover realized losses on loans, foreclosed real estate and certain other assets. These agreements are recorded as assets on HBI's consolidated balance sheet to the extent of the expected loss share indemnification. These loss share assets are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should HBI choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss share based on the credit adjustments estimated for each loan pool and the loss share percentages.

Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the loss share assets. Reductions to expected credit losses, to the extent such reductions to expected credit losses are the result of an improvement to the actual or expected cash flows from the covered assets, will also reduce the loss share assets. Increases in expected credit losses will require an increase to the allowance for loan losses and a corresponding increase to the loss share assets. As the loss share agreements approach the various expiration dates, there could be unexpected volatility in the indemnification asset as future expected loan losses might become projected to occur outside of the loss share coverage reimbursement window. If the loan losses projected to occur outside the loss share coverage reimbursement period are substantial, the resulting reductions in HBI's FDIC indemnification asset could have a material adverse effect on HBI's financial condition.

***HBI's recent acquisitions have increased its commercial real estate loan portfolio, which have a greater credit risk than residential mortgage loans.***

With HBI's 2010 FDIC-assisted acquisitions and subsequent market acquisitions, HBI's commercial loan and construction loan portfolios have become a larger portion of its total loan portfolio than it was prior to the acquisitions. This type of lending is generally considered to have more complex credit risks than traditional single-family residential lending, because the principal is concentrated in a limited number of loans with repayment dependent on the successful operation of the related real estate or construction project. Consequently, these loans are more sensitive to the current adverse conditions in the real estate market and the general economy. These loans are generally less predictable and more difficult to evaluate and monitor and collateral may be more difficult to dispose of in a market decline.

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***HBI's acquisitions may cause it to modify its disclosure controls and procedures, which may not result in the material information that it is required to disclose in its SEC reports being recorded, processed, summarized, and reported adequately.***

HBI's management is responsible for establishing and maintaining effective disclosure controls and procedures that are designed to cause the material information that it is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) to be recorded, processed, summarized, and reported to the extent applicable within the time periods required by the SEC's rules and forms. As a result of its acquisitions, HBI may be implementing changes to processes, information technology systems and other components of internal control over financial reporting as part of its integration activities. Notwithstanding any changes to its disclosure controls and procedures resulting from its evaluation of the same after the acquisition, its control systems, no matter how well designed and operated, may not result in the material information that HBI is required to disclose in its SEC reports being recorded, processed, summarized, and reported adequately. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within HBI has been detected.

***HBI's failure to fully comply with the loss-sharing provisions relating to its FDIC acquisitions could jeopardize the loss-share coverage afforded to certain individual or pools of assets, rendering HBI financially responsible for the full amount of any losses related to such assets.***

In connection with its FDIC acquisitions in 2010, HBI entered into loss-sharing agreements with the FDIC whereby the FDIC agreed to cover 70% or 80% of the losses on certain single family residential mortgage loans and certain commercial loans (together, covered assets), and 30%, 80% or 95% of the losses on such covered assets in excess of thresholds stated in the loss-sharing agreements. HBI's management of and application of the terms and conditions of the loss-sharing provisions of the Purchase and Assumption Agreements related to the covered assets is monitored by the FDIC through periodic reports that it must submit to the FDIC and on-site compliance visitations by the FDIC. If HBI fails to fully comply with its obligations under the loss-sharing provisions of the Purchase and Assumption Agreements relating to the acquisitions, HBI could lose the benefit of the loss-share coverage as it applies to certain individual or pools of covered assets. Without such loss-share coverage, HBI would be solely financially responsible for the losses sustained by such individual or pools of assets.

***Competition from other financial institutions may adversely affect HBI's profitability.***

The banking business is highly competitive. HBI experiences strong competition, not only from commercial banks, savings and loan associations and credit unions, but also from mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds and other financial services providers operating in or near its market areas. HBI competes with these institutions both in attracting deposits and in making loans.

Many of HBI's competitors are much larger national and regional financial institutions. HBI may face a competitive disadvantage against them as a result of its smaller size and resources and its lack of geographic diversification. Many of HBI's competitors are not subject to the same degree of regulation that HBI is as an FDIC-insured institution, which gives them greater operating flexibility and reduces their expenses relative to HBI's.

HBI also competes against community banks that have strong local ties. These smaller institutions are likely to cater to the same small and mid-sized businesses that HBI targets and to use a relationship-based approach similar to HBI's. In addition, HBI's competitors may seek to gain market share by pricing below the current market rates for loans and paying higher rates for deposits. Competitive pressures can adversely affect HBI's results of operations and future prospects.

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**Table of Contents*****HBI may incur environmental liabilities with respect to properties to which it takes title.***

A significant portion of HBI's loan portfolio is secured by real property. In the course of its business, HBI may own or foreclose and take title to real estate and could become subject to environmental liabilities with respect to these properties. HBI may become responsible to a governmental agency or third parties for property damage, personal injury, investigation and clean-up costs incurred by those parties in connection with environmental contamination, or may be required to investigate or clean-up hazardous or toxic substances, or chemical releases at a property. The costs associated with environmental investigation or remediation activities could be substantial. If HBI were to become subject to significant environmental liabilities, it could have a material adverse effect on HBI's results of operations and financial condition.

***HBI continually encounters technological change, and it may have fewer resources than many of its competitors to continue to invest in technological improvements.***

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. In addition to better serving customers, effective use of technology increases efficiency and enables financial institutions to reduce costs. HBI's future success will depend, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in its operations. Many of HBI's competitors have substantially greater resources to invest in technological improvements. HBI may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its clients, which may adversely affect its results of operations and future prospects.

***A failure in or breach of HBI's operational or security systems, or those of its third party service providers, including as a result of cyber-attacks, could disrupt HBI's business, result in unintentional disclosure or misuse of confidential or proprietary information, damage its reputation, increase its costs and cause losses.***

As a financial institution, HBI's operations rely heavily on the secure processing, storage and transmission of confidential and other information on its computer systems and networks. Any failure, interruption or breach in security or operational integrity of these systems could result in failures or disruptions in its online banking system, customer relationship management, general ledger, deposit and loan servicing and other systems. The security and integrity of its systems could be threatened by a variety of interruptions or information security breaches, including those caused by computer hacking, cyber-attacks, electronic fraudulent activity or attempted theft of financial assets. HBI cannot assure you that any such failures, interruption or security breaches will not occur, or if they do occur that they will be adequately addressed. While HBI has certain protective policies and procedures in place, the nature and sophistication of the threats continue to evolve. HBI may be required to expend significant additional resources in the future to modify and enhance its protective measures.

Additionally, HBI faces the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate its business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, HBI's operational systems. Any failures, interruptions or security breaches in HBI's information systems could damage its reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose HBI to civil litigation, regulatory fines or losses not covered by insurance.

***HBI's recent results do not indicate its future results and may not provide guidance to assess the risk of an investment in its common stock.***

HBI is unlikely to sustain its historical rate of growth, and may not even be able to expand its business at all. Further, HBI's recent growth may distort some of its historical financial ratios and statistics. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may also impede or prohibit HBI's ability to expand its market presence. If HBI is not able to successfully grow its business, HBI's financial condition and results of operations could be adversely affected.

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***HBI may not be able to raise the additional capital it needs to grow and, as a result, its ability to expand its operations could be materially impaired.***

Federal and state regulatory authorities require HBI and its bank subsidiary to maintain adequate levels of capital to support its operations. While HBI believes that its existing capital (which well exceeds the federal and state capital requirements) will be sufficient to support its current operations, anticipated expansion and potential acquisitions, factors such as faster than anticipated growth, reduced earnings levels, operating losses, changes in economic conditions, revisions in regulatory requirements, or additional acquisition opportunities may lead HBI to seek additional capital.

HBI's ability to raise additional capital, if needed, will depend on its financial performance and on conditions in the capital markets at that time, which are outside its control. If HBI needs additional capital but cannot raise it on terms acceptable to it, HBI's ability to expand its operations could be materially impaired.

***HBI's directors and executive officers own a significant portion of its common stock and can exert significant influence over business and corporate affairs.***

HBI's directors and executive officers, as a group, beneficially owned 17.45% of its common stock as of December 31, 2013. Consequently, if they vote their shares in concert, they can significantly influence the outcome of all matters submitted to HBI's shareholders for approval, including the election of directors. The interests of its officers and directors may conflict with the interests of other holders of HBI's common stock, and they may take actions affecting HBI with which you disagree.

***Hurricanes or other adverse weather events could negatively affect HBI's local economies or disrupt its operations, which would have an adverse effect on it.***

Like other coastal areas, HBI's markets in Alabama and Florida are susceptible to hurricanes and tropical storms. Such weather events can disrupt HBI's operations, result in damage to its properties and negatively affect the local economies in which it operates. HBI cannot predict whether or to what extent damage that may be caused by future hurricanes or other weather events will affect its operations or the economies in its market areas, but such weather events could result in a decline in loan originations, a decline in the value or destruction of properties securing its loans and an increase in the delinquencies, foreclosures and loan losses. HBI's business or results of operations may be adversely affected by these and other negative effects of hurricanes or other significant weather events.

### **Risk Factors Related to Owning HBI's Stock**

***The holders of HBI's subordinated debentures have rights that are senior to those of HBI's shareholders. If HBI defers payments of interest on its outstanding subordinated debentures or if certain defaults relating to those debentures occur, HBI will be prohibited from declaring or paying dividends or distributions on, and from making liquidation payments with respect to, its common stock.***

As of June 30, 2014, HBI had \$60.8 million of subordinated debentures issued in connection with trust preferred securities. Payments of the principal and interest on the trust preferred securities are unconditionally guaranteed by HBI. The subordinated debentures are senior to HBI's shares of common stock. As a result, HBI must make payments on the subordinated debentures (and the related trust preferred securities) before any dividends can be paid on its common stock and, in the event of bankruptcy, dissolution or liquidation, the holders of the debentures must be satisfied before any distributions can be made to the holders of HBI's common stock. HBI has the right to defer distributions on the subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid to holders of its capital stock. If HBI elects to defer or if HBI defaults with respect to its obligations to make payments on these subordinated debentures, this would likely have a material adverse effect on the market value of its common stock. Moreover, without notice to or consent from the holders of its common stock, HBI may enter into other financing agreements that limit its ability to purchase or to pay dividends or distributions on its capital stock, including its common stock.

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***HBI may be unable to, or choose not to, pay dividends on its common stock.***

Although HBI has paid a quarterly dividend on its common stock since the second quarter of 2003 and expects to continue this practice, HBI cannot assure you of its ability to continue. HBI's ability to pay dividends depends on the following factors, among others:

HBI may not have sufficient earnings since its primary source of income, the payment of dividends to it by Centennial Bank, is subject to federal and state laws that limit the ability of that bank to pay dividends.

Federal Reserve Board policy requires bank holding companies to pay cash dividends on common stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition.

Before dividends may be paid on HBI's common stock in any year, payments must be made on its subordinated debentures.

HBI's board of directors may determine that, even though funds are available for dividend payments, retaining the funds for internal uses, such as expansion of its operations, is a better strategy.

If HBI fails to pay dividends, capital appreciation, if any, of its common stock may be the sole opportunity for gains on an investment in its common stock. In addition, in the event Centennial Bank becomes unable to pay dividends to it, HBI may not be able to service its debt, pay its other obligations or pay dividends on its common stock. Accordingly, HBI's inability to receive dividends from its bank subsidiary could also have a material adverse effect on its business, financial condition and results of operations and the value of your investment in HBI's common stock.

***HBI's stock trading volume may not provide adequate liquidity for investors.***

Although shares of HBI's common stock are listed for trading on The NASDAQ Global Select Market, the average daily trading volume in the common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of the common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which HBI has no control. Given the daily average trading volume of HBI's common stock, significant sales of the common stock in a brief period of time, or the expectation of these sales, could cause a decline in the price of its common stock.

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The following table presents selected consolidated financial information and other financial data for BFHI. The data for the three and six months ended June 30, 2014 are derived from unaudited financial data of BFHI, and for the years 2013 and 2012 are derived from audited consolidated financial statements of BFHI, except earnings per share data. Operating results for prior periods are not necessarily indicative of the results that might be expected for 2014 or any future period.

	As of or for the Three Months Ended June 30, 2014 (Unaudited)	As of or for the Six Months Ended June 30, 2014 (Unaudited)	As of or for the Years Ended December 31, 2013                      2012	
(Dollars and shares in thousands, except per share data)				
<b>Income statement data:</b>				
Interest income	\$ 1,880	\$ 3,680	\$ 6,847	\$ 6,551
Interest expense	269	522	950	1,014
Net interest income before provision for loan losses	1,611	3,158	5,897	5,537
Provision for loan losses	1	(63)	427	282
Net interest income after provision	1,610	3,221	5,470	5,255
Non-interest income	148	446	717	579
Non-interest expense	1,190	2,346	4,615	4,566
Income before income taxes	568	1,321	1,572	1,268
Provision for income taxes	208	475	540	492
Net income	\$ 360	\$ 846	\$ 1,032	\$ 776
<b>Share and per share data:</b>				
Basic earnings per common share	\$ 0.22	\$ 0.52	\$ 0.63	\$ 0.47
Diluted earnings per share	0.17	0.41	0.50	0.38
Cash dividends declared on preferred stock	8	16	31	31
Book value per share at end of period	10.37	10.37	9.68	9.49
Common shares outstanding at end of period	1,650	1,650	1,650	1,650
<b>Balance sheet data:</b>				
Total assets	\$ 168,714	\$ 168,714	\$ 159,161	\$ 142,800
Cash and cash equivalents	1,661	1,661	8,145	9,100
Investment securities	49,165	49,165	41,598	31,858
Total loans	110,848	110,848	105,020	98,050
Allowance for loan losses	1,815	1,815	1,878	1,451
Loans, net	109,033	109,033	103,142	96,599
Deposits	143,682	143,682	135,763	121,924
Stockholders' equity (1)	20,233	20,233	19,094	18,791
<b>Asset quality:</b>				
Non-performing loans (2)	\$ 0	\$ 0	\$ 0	\$ 0
Allowance for loan losses to total loans	1.64%	1.64%	1.79%	1.48%
Allowance for loan losses to non-performing loans	n/a	n/a	n/a	n/a
Total non-performing loans to total loans	0	0	0	0
Total non-performing loans to total assets	0	0	0	0
Total non-performing loans and real estate foreclosed assets to total assets	0	0	0	0

- (1) Includes \$3,134,000 of preferred stock.
- (2) Loans where the interest is no longer accruing over 90 days or more past due.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA OF HBI**

Set forth below are highlights from HBI's consolidated financial data as of and for the three and six months ended June 30, 2014 and 2013 and for the years ended December 31, 2009 through December 31, 2013. The results of operations for the three and six months ended June 30, 2014 and 2013 are not necessarily indicative of the results of operations for a full year or any other interim period. HBI management prepared the unaudited information on the same basis as it prepared HBI's audited consolidated financial statements. In the opinion of HBI management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with HBI's consolidated financial statements and related notes included in HBI's Annual Report on Form 10-K for the year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the three and six months ended June 30, 2014, each of which is incorporated by reference in this document and from which this information is derived. See "Where You Can Find More Information" on page 91.

**Selected Consolidated Financial Data**

	As of or for the Three Months Ended June 30,		As of or for the Six Months Ended June 30,		As of or for the Years Ended December 31,				
	2014	2013	2014	2013	2013	2012	2011	2010	2009
	(Unaudited)								
	(Dollars and shares in thousands, except per share data)								
<b>Income statement data:</b>									
Total interest income	\$ 82,586	\$ 48,085	\$ 164,426	\$ 96,233	\$ 217,126	\$ 177,135	\$ 171,806	\$ 151,122	\$ 132,253
Total interest expense	4,543	3,244	9,383	7,043	14,531	21,535	30,551	34,708	39,943
Net interest income	78,043	44,841	155,043	89,190	202,595	155,600	141,255	116,414	92,310
Provision for loan losses	6,115	850	13,053	850	5,180	2,750	3,500	72,850	11,150
Net interest income after provision for loan losses	71,928	43,991	141,990	88,340	197,415	152,850	137,755	43,564	81,160
Non-interest income	11,539	9,805	23,720	18,830	40,365	47,969	41,309	65,049	30,659
Non-interest expense	38,620	25,855	77,977	51,718	133,307	102,368	94,722	85,001	72,883
Income before income taxes	44,847	27,941	87,733	55,452	104,473	98,451	84,342	23,612	38,936
Income tax expense	16,418	10,282	31,967	20,245	37,953	35,429	29,601	6,021	12,130
Net income	28,429	17,659	55,766	35,207	66,520	63,022	54,741	17,591	26,806
Preferred stock dividends and accretion of discount on preferred stock							1,828	2,680	2,576
Net income available to common stockholders	\$ 28,429	\$ 17,659	\$ 55,766	\$ 35,207	\$ 66,520	\$ 63,022	\$ 52,913	\$ 14,911	\$ 24,230
<b>Common share and per common share data</b>									
<b>(a):</b>									
Basic earnings per common share	\$ 0.44	\$ 0.32	\$ 0.86	\$ 0.63	\$ 1.15	\$ 1.12	\$ 0.93	\$ 0.26	\$ 0.51
Diluted earnings per common share	0.43	0.31	0.85	0.62	1.14	1.11	0.92	0.26	0.51
Diluted earnings per common share excluding intangible amortization (1)	0.44	0.32	0.87	0.64	1.18	1.14	0.95	0.29	0.53
Book value per common share	13.77	9.49	13.77	9.49	12.92	9.17	8.38	7.51	7.36
Tangible book value per common share (2) (5)	8.83	7.78	8.83	7.78	7.94	7.43	7.18	6.26	6.33
Dividends common	0.0750	0.0750	0.1500	0.1400	0.2900	0.2900	0.1340	0.1083	0.1091
Average common shares outstanding	65,140	56,234	65,131	56,228	57,908	56,274	56,832	56,722	47,254
Average diluted shares outstanding	65,545	56,577	65,523	56,555	58,252	56,630	57,224	57,200	47,768



**Table of Contents****Selected Consolidated Financial Data - Continued**

	As of or for the Three Months Ended June 30,		As of or for the Six Months Ended June 30,		As of or for the Years Ended December 31,				
	2014	2013	2014	2013	2013	2012	2011	2010	2009
	(Unaudited)		(Dollars and shares in thousands, except per share data)						
<b>Performance ratios:</b>									
Return on average assets	1.70%	1.71%	1.67%	1.70%	1.43%	1.58%	1.50%	0.55%	1.03%
Return on average assets excluding intangible amortization (6)	1.83	1.80	1.80	1.79	1.52	1.66	1.57	0.61	1.10
Return on average common equity	12.96	13.27	12.98	13.47	11.27	12.75	11.77	3.41	7.45
Return on average tangible common equity excluding intangible amortization (2) (7)	20.94	16.65	21.20	16.97	15.26	15.87	14.39	4.40	9.49
Net interest margin (10)	5.50	5.18	5.49	5.16	5.19	4.70	4.69	4.27	4.09
Efficiency ratio (3)	41.09	44.98	41.58	45.50	52.44	47.88	49.13	44.41	55.98
<b>Asset quality:</b>									
Non-performing non-covered assets to total non-covered assets	1.04%	1.26%	1.04%	1.26%	1.07%	1.30%	1.53%	2.08%	2.12%
Non-performing non-covered loans to total non-covered loans	1.09	1.25	1.09	1.25	0.91	1.17	1.56	2.62	2.05
Allowance for loan losses for non-covered loans to non-performing non-covered loans	107.26	138.16	107.26	138.16	101.95	165.62	189.64	107.77	107.57
Allowance for loan losses for non-covered loans to total non-covered loans (9)	1.17	1.73	1.17	1.73	0.93	1.94	2.96	2.83	2.20
Net charge-offs on loans not covered by loss share to average non-covered loans	0.18	0.44	0.19	0.47	0.39	0.40	0.26	3.19	0.43
<b>Balance sheet data:</b>									
Total assets	\$ 6,666,140	\$ 4,091,337	\$ 6,666,140	\$ 4,091,337	\$ 6,811,861	\$ 4,242,130	\$ 3,604,117	\$ 3,762,646	\$ 2,684,865
Investment securities available-for-sale	1,122,803	736,406	1,122,803	736,406	1,175,484	726,223	671,221	469,864	322,115
Investment securities held-to-maturity	205,566		205,566		114,621				
Loans receivable not covered by loss share	4,133,109	2,339,242	4,133,109	2,339,242	4,194,437	2,331,199	1,760,086	1,892,374	1,950,285
Loans receivable covered by FDIC loss share	263,157	329,802	263,157	329,802	282,516	384,884	481,739	575,776	
Allowance for loan losses	51,173	41,450	51,173	41,450	43,815	50,632	52,129	53,348	42,968
Intangible assets	321,720	96,138	321,720	96,138	324,034	97,742	68,283	71,110	57,737
Non-interest-bearing deposits	1,129,073	733,374	1,129,073	733,374	991,161	666,414	464,581	392,622	302,228
Total deposits	5,192,009	3,325,235	5,192,009	3,325,235	5,393,046	3,483,452	2,858,031	2,961,798	1,835,423
Subordinated debentures (trust preferred securities)	60,826	3,093	60,826	3,093	60,826	28,867	44,331	44,331	47,484
Stockholders equity	897,235	533,510	897,235	533,510	840,955	515,473	474,066	476,925	464,973
<b>Capital ratios:</b>									
Common equity to assets	13.46%	13.04%	13.46%	13.04%	12.35%	12.15%	13.15%	11.36%	15.48%
Tangible common equity to tangible assets (2) (8)	9.07	10.95	9.07	10.95	7.97	10.08	11.48	9.65	13.63

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Tier 1 leverage ratio (4)	9.71	10.78	9.71	10.78	9.38	10.95	12.48	12.15	17.42
Tier 1 risk-based capital ratio	12.53	14.04	12.53	14.04	10.88	13.94	17.04	16.69	20.76
Total risk-based capital ratio	13.56	15.29	13.56	15.29	11.75	15.20	18.30	17.95	22.02
Dividend payout common	17.18	23.88	17.52	22.36	25.51	25.89	13.90	35.01	19.11

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**Selected Consolidated Financial Data Continued**

- (a) All share and per share amounts have been restated to reflect the effect of the 2-for-1 stock split during June 2013.
- (1) Diluted earnings per share excluding intangible amortization reflect diluted earnings per share plus per share intangible amortization expense, net of the corresponding tax effect. See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management's Discussion and Analysis of Financial Condition and Results of Operations Table 22 and Table 23, respectively, for the non-GAAP tabular reconciliation.
- (2) Tangible calculations eliminate the effect of goodwill and acquisition-related intangible assets and the corresponding amortization expense on a tax-effected basis.
- (3) The efficiency ratio is calculated by dividing non-interest expense less amortization of core deposit intangibles by the sum of net interest income on a tax equivalent basis and non-interest income.
- (4) Leverage ratio is Tier 1 capital to quarterly average total assets less intangible assets and gross unrealized gains/losses on available-for-sale investment securities.
- (5) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management's Discussion and Analysis of Financial Condition and Results of Operations Table 27 and Table 24, respectively, for the non-GAAP tabular reconciliation.
- (6) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management's Discussion and Analysis of Financial Condition and Results of Operations Table 28 and Table 25, respectively, for the non-GAAP tabular reconciliation.
- (7) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management's Discussion and Analysis of Financial Condition and Results of Operations Table 29 and Table 26, respectively, for the non-GAAP tabular reconciliation.
- (8) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management's Discussion and Analysis of Financial Condition and Results of Operations Table 30 and Table 27, respectively, for the non-GAAP tabular reconciliation.
- (9) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management's Discussion and Analysis of Financial Condition and Results of Operations Table 25 and Table 28, respectively, for the non-GAAP tabular reconciliation.
- (10) Fully taxable equivalent (assuming an income tax rate of 39.225%).

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**UNAUDITED PRO FORMA COMBINED CONSOLIDATED INCOME STATEMENT  
OF HBI FOR THE YEAR ENDED DECEMBER 31, 2013**

HBI's operating results for the period ended December 31, 2013 include the operating results for Liberty Bancshares, Inc., ( Liberty ) beginning on October 24, 2013, the date of acquisition, through December 31, 2013. Because HBI's 2013 financial statements include 69 days of operating results for Liberty, the following unaudited pro forma combined consolidated income statement includes the statement of operations of Liberty for the nine months ended September 30, 2013, and pro forma adjustments necessary to give effect to HBI's acquisition of Liberty assuming the acquisition occurred on January 1, 2013. Accordingly, the unaudited pro forma combined consolidated income statement includes the unaudited results of operations of Liberty for 342 days of 2013, which unaudited pro forma results of operations are not materially different from Liberty's full year 2013 results of operations presented on a pro forma basis.

The unaudited pro forma condensed consolidated information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the companies actually been combined at the beginning of the period presented and had the impact of possible revenue enhancements and expense efficiencies, among other factors, been considered and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during this period.

**Table of Contents****Unaudited Pro Forma Combined Consolidated Income Statement****For the Year Ended December 31, 2013**

(In thousands except per-share data)	Home BancShares, Inc.	Liberty Bancshares, Inc. (a)	Pro Forma Adjustments (b)	Pro Forma Combined
<b>Interest income</b>				
Loans	\$ 198,536	\$ 69,664	\$ 11,915(d)	\$ 280,115
Investment securities				
Taxable	12,298	6,206		18,504
Tax-exempt	6,009	2,303		8,312
Deposits other banks	254	24	(98)(e)	180
Federal funds sold	29	15		44
Other		382	(382)(f)	
<b>Total interest income</b>	<b>217,126</b>	<b>78,594</b>	<b>11,435</b>	<b>307,155</b>
<b>Interest expense</b>				
Interest on deposits	9,744	6,792	415(g)	16,951
Federal funds purchased	4	1		5
FHLB borrowed funds	3,841	2,747	(1,447)(h)	5,141
Securities sold under agreements to repurchase	424	384		808
Subordinated debentures	518	1,154		1,672
<b>Total interest expense</b>	<b>14,531</b>	<b>11,078</b>	<b>(1,032)</b>	<b>24,577</b>
<b>Net interest income</b>	<b>202,595</b>	<b>67,516</b>	<b>12,467</b>	<b>282,578</b>
Provision for loan losses	5,180	9,000		14,180
<b>Net interest income after provision for loan losses</b>	<b>197,415</b>	<b>58,516</b>	<b>12,467</b>	<b>268,398</b>
<b>Non-interest income</b>				
Service charges on deposit accounts	17,870	6,933		24,803
Other service charges and fees	16,002	4,838		20,840
Mortgage lending income	5,988	2,783		8,771
Insurance commissions	2,420	2,048		4,468
Income from title services	523			523
Increase in cash value of life insurance	836	71		907
Dividends from FHLB, FRB, Bankers bank & other	1,028		382(f)	1,410
Gain on sale of SBA loans	135			135
Gain (loss) on sale of premises & equip, net	397			397
Gain (loss) on OREO, net	1,651	(1,391)		260
Gain (loss) on securities, net	111			111
FDIC indemnification accretion/(amortization), net	(10,401)			(10,401)
Other income	3,805	4,051		7,856
<b>Total non-interest income</b>	<b>40,365</b>	<b>19,333</b>	<b>382</b>	<b>60,080</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	58,394	28,030		86,424
Occupancy and equipment	17,168	8,387		25,555
Data processing expense	5,393	1,034		6,427

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Other operating expenses	52,352	14,508	844(i)	67,704
Total non-interest expense	133,307	51,959	844	186,110
<b>Income before income taxes</b>	<b>104,473</b>	<b>25,890</b>	<b>12,005</b>	<b>142,368</b>
Income tax expense	37,953	8,988	4,709(j)	51,650
<b>Net income available to all shareholders</b>	<b>66,520</b>	<b>16,902</b>	<b>7,296</b>	<b>90,718</b>
Preferred stock dividends		(1,907)	1,907(e)	
<b>Net income available to common shareholders</b>	<b>\$ 66,520</b>	<b>\$ 14,995</b>	<b>\$ 9,203</b>	<b>\$ 90,718</b>
<b>Basic earnings per common share</b>	<b>\$ 1.15(c)</b>	<b>\$ 12.77</b>		<b>\$ 1.40</b>
<b>Diluted earning per common share</b>	<b>\$ 1.14(c)</b>	<b>\$ 12.78</b>		<b>\$ 1.39</b>

(See accompanying notes to Unaudited Pro Forma Combined Consolidated Income Statement)

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**Notes to Unaudited Pro Forma Combined Consolidated Income Statement For the Year Ended December 31, 2013**

- (a) Amounts presented reflect the historical results of operations for Liberty for the nine months ended September 30, 2013.
- (b) Amounts presented include the effect of the purchase accounting and pro forma adjustments, assuming the acquisition of Liberty closed on January 1, 2013.
- (c) All per-share amounts have been restated to reflect HBI's 2-for-1 stock split in June 2013.
- (d) Upon the completion of the merger, HBI evaluated the acquired loan portfolio to finalize the necessary credit and interest rate fair value adjustments. Subsequently, the interest rate portion of the fair value adjustment was accreted into earnings as an adjustment to the yield of such acquired loans. This adjustment represents HBI's best estimate of the expected accretion that would have been recorded in 2013 assuming the merger closed on January 1, 2013.
- (e) This adjustment represents the estimated amount of interest income, using the Federal Funds rate 0.25%, that would have been foregone to fund the payoff of the Liberty Small Business Lending Fund ( SBLF ) preferred stock and the corresponding reduction of preferred dividends in 2013 assuming the closing of the transaction and SBLF payoff occurred on January 1, 2013.
- (f) This represents the reclassifying of Liberty's dividend income from interest income to non-interest income.
- (g) Upon the completion of the merger, HBI evaluated the acquired time deposits to finalize the necessary fair value adjustment to reflect current interest rates for comparable deposits. Currently, HBI believes the interest rates of Liberty's certificates of deposits were at the market rates. Any fair value adjustments would be accreted or amortized into earnings as an adjustment of the cost of such time deposits. This adjustment represents HBI's best estimate of the expected accretion that would have been recorded in 2013 assuming the merger closed on January 1, 2013.
- (h) This adjustment represents the estimated amount of accretion on Federal Home Loan Bank advances that would have been recorded as a reduction of interest expense in 2013 assuming the transaction closed on January 1, 2013.
- (i) This represents the expected amortization during 2013 of the core deposit intangible asset acquired in the merger, assuming the transaction closed on January 1, 2013. The estimated useful life of this intangible asset is estimated to be seven years.
- (j) This represents income tax expense on the pro forma adjustments at HBI's statutory federal and state income tax rate of 39.225%.

**Table of Contents****MARKET PRICE AND DIVIDEND INFORMATION**

HBI's common stock is currently listed on The NASDAQ Global Select Market under the symbol HOMB. BFHI's common stock is not listed on an exchange or quoted on any automated services, and there is no established trading market for shares of BFHI common stock. The following table sets forth, for all the periods indicated, cash dividends declared, and the high and low closing bid prices for HBI's common stock, as adjusted to reflect the 2-for-1 forward split of HBI's common stock on June 12, 2013.

	Price per Common Share		Quarterly Dividends per Common Share
	High	Low	
<b>2012</b>			
1st Quarter	\$ 13.50	\$ 12.36	\$ 0.050
2nd Quarter	15.29	13.01	0.050
3rd Quarter	17.55	14.78	0.060
4th Quarter	17.71	16.04	0.130
<b>2013</b>			
1st Quarter	\$ 18.84	\$ 16.71	\$ 0.065
2nd Quarter	26.32	18.62	0.075
3rd Quarter	31.00	25.42	0.075
4th Quarter	38.79	28.72	0.075
<b>2014</b>			
1st Quarter	\$ 36.42	\$ 29.29	\$ 0.075
2nd Quarter	35.57	28.70	0.075

BFHI has not paid any dividends on the shares of its common stock. The only dividends paid by BFHI were on the shares of preferred stock issued by BFHI to the United States Treasury pursuant to the Treasury's Small Business Lending Fund Program. BFHI redeemed these shares of preferred stock in 2013.

As of July 31, 2014, there were 66,458,209 shares of HBI common stock issued and outstanding, which were held by approximately 878 shareholders of record. As of the record date for the BFHI special meeting, there were 1,649,512 shares of BFHI common stock outstanding, which were held by approximately 115 shareholders of record. Such numbers of shareholders do not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

On July 18, 2014, the business day immediately preceding the public announcement of the merger, the closing price of HBI's common stock as reported on The NASDAQ Global Select Market was \$30.32 per share. On August 29, 2014, the last practicable trading day before the distribution of this proxy statement/prospectus, the closing price of HBI's common stock as reported on The NASDAQ Global Select Market was \$29.75 per share.



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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this proxy statement/prospectus are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements relate to future events or future financial performance and include statements about the competitiveness of the banking industry, potential regulatory obligations, and HBI's and BFHI's other business strategies and other statements that are not historical facts. Forward-looking statements are not guarantees of performance or results. When words like may, plan, contemplate, anticipate, believe, intend, continue, expect, project, predict, estimate, and similar expressions are used, you should consider them as identifying forward-looking statements. These forward-looking statements involve risks and uncertainties and are based on beliefs and assumptions, and on the information available at the time that these disclosures were prepared. These forward-looking statements may not be realized due to a variety of factors, including, but not limited to, the following:

the merger may not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not received on a timely basis or at all;

HBI's stock price could change, before closing of the merger, due to, among other things, broader stock market movements and the performance of financial companies and peer group companies;

benefits from the merger may not be fully realized or may take longer to realize than expected, including as a result of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations and their enforcement, and the degree of competition in the geographic and business areas in which BFHI operates;

BFHI's business may not be integrated into HBI's successfully, or such integration may take longer to accomplish than expected;

the anticipated growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected;

operating costs, customer losses and business disruption following the merger, including adverse developments in relationships with employees, may be greater than expected; and

management time and effort may be diverted to the resolution of merger-related issues.

All written or oral forward-looking statements attributable to HBI and BFHI are expressly qualified in their entirety by this Cautionary Note. Actual results may differ significantly from those discussed in these forward-looking statements. For other factors, risks and uncertainties that could cause actual results to differ materially from estimates and projections contained in these forward-looking statements, see Risk Factors.

**Table of Contents****THE MERGER**

*The following is a discussion of the merger and the material terms of the Merger Agreement between HBI and BFHI. You are urged to read carefully the Merger Agreement in its entirety, a copy of which is attached as **Appendix A** to this proxy statement/prospectus and incorporated by reference herein. This summary may not contain all of the information about the Merger Agreement that is important to you. Factual information about HBI and BFHI can be found elsewhere in this proxy statement/prospectus. Additional factual information about HBI can be found in the public filings HBI makes with the SEC, as described in the section entitled *Where You Can Find More Information*.*

**Terms of the Merger**

**Transaction Structure.** HBI's and BFHI's boards of directors have each unanimously approved and adopted the Merger Agreement. The Merger Agreement provides for the acquisition of BFHI by HBI through the merger of a direct wholly-owned subsidiary of HBI to be incorporated prior to the closing of the merger, with and into BFHI, with BFHI continuing as the surviving corporation. As soon as reasonable practicable following the merger and as part of a single integrated transaction, Broward Bank of Commerce will be merged with and into Centennial Bank, which is HBI's wholly owned community bank subsidiary, with Centennial Bank continuing as the surviving corporation in that second-step merger.

**Merger Consideration.** In the merger, BFHI shareholders will have the right, with respect to each of their shares of BFHI common stock, to receive, subject to proration and adjustment as described below, a combination of cash and shares of HBI common stock valued in the aggregate from approximately \$33,060,001 to \$33,960,001, with 10% of the total consideration to be paid in cash and 90% to be paid in shares of HBI common stock. Under the terms of the Merger Agreement, the total merger consideration (the *Purchase Price*) will be \$33,060,001 plus an amount equal to 1.8 times BFHI's adjusted consolidated net income for the quarter ended September 30, 2014 (as defined in the Merger Agreement), provided that such adjusted net income will not exceed \$500,000. The Purchase Price assumes that, prior to the closing date of the merger, BFHI will have received in the aggregate at least \$3,000,000 in proceeds from the exercise of BFHI common stock warrants outstanding on the date the Merger Agreement was signed. Holders of BFHI common stock warrants will receive shares of BFHI common stock upon exercise of the warrants, which shares will be eligible to receive the merger consideration on the same basis as all other shares of BFHI common stock. If BFHI has not received aggregate proceeds of at least \$3,000,000 from the exercise price of such warrants on or before the closing date of the Merger, HBI will have the option, in its sole discretion, to cancel the merger or to proceed with the merger but reduce the Purchase Price by an amount equal to 1.2 times the aggregate exercise price of the BFHI stock warrants for which payment was not received. However, the condition that the BFHI stock warrants be fully exercised before the closing of the merger may be satisfied by BFHI if it substitutes for any unexercised BFHI stock warrants, on a dollar-for-dollar basis, cash received by BFHI from the exercise of outstanding BFHI stock options. Stock options representing a total of 115,000 shares of BFHI common stock were outstanding as of the date the Merger Agreement was signed. The Purchase Price may also be reduced to the extent the cost to purchase certain liability insurance coverage for directors and officers of BFHI and Broward Bank exceeds \$100,000.

Based on a Purchase Price of \$33,060,001 to \$33,960,001, the total consideration payable to BFHI shareholders consists of (i) approximately \$3,306,000 to \$3,396,000 in cash, and (ii) shares of HBI common stock with a total value of approximately \$29,754,001 to \$30,564,001. Assuming 1,996,663 shares of BFHI common stock (which is equal to the sum of 1,649,512 shares—the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 47,150 shares issuable upon a cashless termination of all BFHI stock options outstanding on the date of the Merger Agreement) are outstanding immediately before the merger, BFHI shareholders will receive in exchange for each share of BFHI common stock consideration valued at approximately \$16.5576 (at a \$33,060,001 Purchase Price) to \$17.0084 (at a \$33,960,001 Purchase Price) (the

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Merger Consideration ), consisting of (i) approximately \$1.6558 to \$1.7008 in cash, and (ii) shares of HBI common stock valued at approximately \$14.9018 to \$15.3076.

The number of shares of HBI common stock comprising the portion of the per-share Merger Consideration to be paid in shares of HBI common stock will be determined by the volume-weighted average closing price, rounded to the nearest hundredth of a cent, of HBI common stock on The NASDAQ Global Select Market reporting system (based on regular way trading) for the 20 trading days immediately prior to the date the merger closes (the HBI Average Closing Price ), provided that the HBI Average Closing Price shall not exceed \$37.95 or be below \$28.05. The following table illustrates, for a range of potentially applicable HBI Average Closing Prices, the number of shares of HBI common stock that would be exchanged for each share of BFHI common stock, assuming that 1,996,663 shares or 2,064,513 shares (which is equal to the sum of 1,649,512 shares the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 115,000 shares issuable upon full exercise of all BFHI stock options outstanding on the date of the Merger Agreement) of BFHI common stock are outstanding immediately before the merger and based on a Purchase Price of \$33,060,001 or \$33,960,001. The actual consideration will be based on the actual HBI Average Closing Price, which will be computed at the time of the merger; the HBI Average Closing Prices shown on this table are for illustration only. Cash will be paid in lieu of issuing fractional shares of HBI common stock.

If the applicable HBI Average Closing Price is:	Per-Share Stock Consideration*			
	Each share of BFHI common stock will exchange for the following fractional share of HBI common stock:			
	If Purchase Price is \$33,060,001 and 1,996,663 shares of BFHI Common Stock are outstanding	If Purchase Price is \$33,960,001 and 1,996,663 shares of BFHI Common Stock are outstanding	If Purchase Price is \$33,060,001 and 2,064,513 shares of BFHI Common Stock are outstanding	If Purchase Price is \$33,960,001 and 2,064,513 shares of BFHI Common Stock are outstanding
\$28.05**	0.5313	0.5457	0.5138	0.5278
\$29.00	0.5139	0.5278	0.4970	0.5105
\$30.00	0.4967	0.5103	0.4804	0.4935
\$30.95**	0.4815	0.4946	0.4657	0.4783
\$31.00	0.4807	0.4938	0.4649	0.4776
\$32.00	0.4657	0.4784	0.4504	0.4626
\$33.00	0.4516	0.4639	0.4367	0.4486
\$34.00	0.4383	0.4502	0.4239	0.4354
\$35.00	0.4258	0.4374	0.4118	0.4230
\$36.00	0.4139	0.4252	0.4003	0.4112
\$37.00	0.4028	0.4137	0.3895	0.4001
\$37.95**	0.3927	0.4034	0.3798	0.3901

\* The Per-Share Stock Consideration will be based on the actual HBI Average Closing Price, which will be computed at the time of the merger; the HBI Average Closing Prices shown on this table are for illustration only. Cash will be paid in lieu of issuing fractional shares of HBI common stock.

\*\* On July 30, 2014, the date the Merger Agreement was signed, the closing price of a share of HBI common stock was \$30.95. The Merger Agreement provides that if the HBI Average Closing Price is equal to or greater than \$37.95, then the HBI Average Closing Price will be \$37.95. Additionally, if the HBI Average Closing Price is equal to or below \$28.05, then the HBI Average Closing Price will be \$28.05. For illustrative purposes only, assuming the HBI Average Closing Price is \$30.95 and the Purchase Price is \$33,060,001 and there are 1,996,663 shares of BFHI common stock outstanding immediately before the merger, a BFHI shareholder holding 100 shares of BFHI common stock will receive \$165.58 in cash for the cash portion of the merger consideration, 48 shares of HBI common stock, and \$4.64 in cash in lieu of the resulting fractional share.



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Based on a Purchase Price with no adjustment (\$33,060,001) and 961,357 shares of HBI common stock issuable to BFHI shareholders (based on a \$30.95 HBI Average Closing Price and no cash in lieu of fractional shares paid), BFHI shareholders would own approximately 1.43% of HBI s common stock after the merger is completed, excluding any shares of HBI common stock they may already own.

## **Letters of Transmittal**

Promptly upon the completion of the merger, the exchange agent will send a letter of transmittal and instructions for surrendering certificates or book-entry shares in exchange for the Merger Consideration and/or any cash in lieu of fractional shares of HBI common stock (as described below) to each holder of record of certificates or book-entry shares which, immediately prior to the completion of the merger, represented shares of BFHI common stock, whose shares were converted into the right to receive the Merger Consideration.

If a certificate for BFHI common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the Merger Agreement upon receipt of an affidavit as to that loss, theft or destruction and, if requested by the exchange agent, the posting of a bond to indemnify the exchange agent against any claim that may be made against it with respect to such certificate.

## **Cash in Lieu of Fractional Shares**

No fractional shares of HBI common stock will be issued upon the surrender of certificates or book-entry shares of BFHI common stock for exchange, and no dividend or distribution with respect to HBI common stock will be payable on or with respect to any fractional share, and such fractional share interests will not entitle the owner thereof to vote or to any other rights of a shareholder of HBI. In lieu of the issuance of any such fractional share, HBI will pay to each former shareholder of BFHI who otherwise would be entitled to receive such fractional share an amount in cash (rounded to the nearest cent) determined by multiplying (i) the HBI Average Closing Price by (ii) the fraction of a share (after taking into account all shares of BFHI common stock held by such holder at the effective time of the merger and rounded to the nearest thousandth when expressed in decimal form) of HBI common stock which such holder would otherwise be entitled to receive.

## **Dividends and Distributions**

Until certificates or book-entry shares representing shares of BFHI common stock are surrendered for exchange, any dividends or other distributions with a record date after the effective time of the merger with respect to HBI common stock into which such shares of BFHI common stock may have been converted will not be paid. Following surrender of any such certificates or book-entry shares, the record holder thereof will be entitled to receive, without interest, any dividends or other distributions with a record date after the effective time of the merger payable with respect to the whole shares of HBI common stock represented by such certificates or book-entry shares and paid prior to the surrender date, and at the appropriate payment date, the amount of dividends or other distributions payable with respect to shares of HBI common stock represented by such certificates or book-entry shares with a record date after the effective time of the merger but before the surrender date and with a payment date after the issuance of HBI common stock issuable with respect to such certificates or book-entry shares.

After the effective time of the merger, there will be no transfers on the stock transfer books of BFHI of any shares of BFHI common stock, other than to settle transfers that occurred prior to the effective time of the merger. If certificates representing such shares are presented for transfer after the completion of the merger, they will be cancelled and exchanged for the Merger Consideration into which the shares represented by that certificate have been converted.

## **Appraisal Rights**

Notwithstanding any other provisions of this proxy statement/prospectus, shares of BFHI common stock issued and outstanding at the effective time of the merger which are held by a holder who perfected his or her

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dissenters' rights in accordance with § 607.1321 of the Florida Statutes Annotated ( "Dissenting Shares" ) shall not be converted into or represent the right to receive the consideration payable thereon, and any such holder shall be entitled only to such rights of appraisal as are granted by § 607.1326 of the Florida Statutes Annotated ( "Dissenter Provisions" ), unless and until such holder fails to perfect or effectively withdraws or otherwise loses his or her right to appraisal; provided, however, that no payment in connection with Dissenting Shares shall be made to any dissenting stockholder unless and until such dissenting stockholder has complied with the applicable provisions of the Dissenter Provisions and surrendered to HBI the certificate or certificates representing the Dissenting Shares for which payment is being made. If after the effective time of the merger any such dissenting stockholder fails to perfect or effectively withdraws or loses his or her right to appraisal, such shares of common stock shall be treated as if they had been converted at the effective time of the merger into the right to receive the consideration payable thereon. BFHI shall give HBI prompt notice upon receipt by BFHI of any written objection to the merger and such written demands for payment for shares of common stock under the Dissenter Provisions, and the withdrawals of such demands, and any other instruments provided to BFHI pursuant to the Dissenter Provisions (any stockholder duly making such demand being hereinafter called a "Dissenting Stockholder" ). Each Dissenting Stockholder that becomes entitled, pursuant to the Dissenter Provisions, to payment for any shares of common stock held by such Dissenting Stockholder shall receive payment therefor from HBI (but only after the amount thereof shall have been agreed upon or at the times and in the amounts required by the Dissenter Provisions). BFHI shall not, except with the prior written consent of HBI, voluntarily make any payment with respect to, or settle or offer to settle, any demand for payment by a Dissenting Stockholder.

**TO THE SHAREHOLDERS OF BFHI:**

**YOU ARE HEREBY NOTIFIED THAT YOU MAY BE ENTITLED TO ASSERT APPRAISAL RIGHTS PURSUANT TO FLORIDA STATUTES ANNOTATED § 607.1321. A COPY OF 607.1301, ET SEQ IS ATTACHED IN ITS ENTIRETY AS APPENDIX C TO THIS PROXY STATEMENT/PROSPECTUS.**

Any BFHI shareholder desiring to assert appraisal rights must deliver to BFHI at or prior to the BFHI special meeting written notice of the shareholder's intent to demand payment for the shares of BFHI common stock if the Merger Proposal is approved and must not vote in favor of the Merger Proposal. If the merger is approved by the BFHI shareholders, BFHI will deliver a written appraisal notice to all shareholders who properly dissented describing how, when and to whom the BFHI shareholder should send the payment demand. HBI will then pay to each dissenter who properly asserted appraisal rights and perfected such right by submitting a payment demand the amount HBI estimates to be the fair value of the shares plus accrued interest.

This is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Florida Statutes Annotated § 607.1301, *et seq.*, which is reproduced in its entirety as **Appendix C** to this proxy statement/prospectus.

**Regulatory Approvals**

Each of HBI and BFHI has agreed to use its reasonable best efforts to obtain all regulatory approvals required to complete the merger and the other transactions contemplated by the Merger Agreement. These approvals include approval from the Federal Reserve Board and the Arkansas State Bank Department, among others. HBI and BFHI have filed, or are in the process of filing, applications and notifications to obtain these regulatory approvals.

*Federal Reserve Board.* The transaction contemplated by the Merger Agreement is subject to approval by the Federal Reserve Board pursuant to the Bank Holding Company Act of 1956, as amended.

*Arkansas State Bank Department.* The transaction contemplated by the Merger Agreement is subject to approval by the Arkansas State Bank Department.

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*Florida Office of Financial Regulation.* The transaction contemplated by the Merger Agreement requires notice to the Florida Office of Financial Regulation.

*Additional Regulatory Approvals and Notices.* The transaction contemplated by the Merger Agreement is also subject to approval by and notifications to various other regulatory agencies.

There can be no assurances that such approvals will be received on a timely basis, or as to the ability of HBI and BFHI to obtain the approvals on satisfactory terms or the absence of litigation challenging such approvals. There can likewise be no assurances that U.S. or state regulatory authorities will not attempt to challenge the merger on antitrust grounds or for other reasons, or, if such a challenge is made, as to the result of such challenge. The parties' obligations to complete the transactions contemplated by the Merger Agreement are subject to a number of conditions, including the receipt of all requisite regulatory approvals.

## **Accounting Treatment**

HBI will account for the merger using the acquisition method of accounting. Under this accounting method, HBI would record the acquired identifiable assets and liabilities assumed at their fair market value at the time the merger is complete. Any excess of the cost of BFHI over the sum of the fair values of tangible and identifiable intangible assets less liabilities assumed would be recorded as goodwill. HBI's reported income would include the operations of BFHI after the merger. Financial statements of HBI after completion of the merger would reflect the impact of the acquisition of BFHI. Financial statements of HBI issued before completion of the merger would not be restated retroactively to reflect BFHI historical financial position or results of operation.

## **Public Trading Market**

HBI common stock is listed on The NASDAQ Global Select Market under the symbol HOMB. The HBI common stock issuable in the merger will be listed on The NASDAQ Global Select Market.

## **Resale of HBI Common Stock**

All shares of HBI common stock received by BFHI shareholders in the merger will be freely tradable for purposes of the Securities Act of 1933, as amended (the Securities Act), and the Exchange Act, except for shares of HBI common stock received by any such holder who becomes an affiliate of HBI after completion of the merger. This proxy statement/prospectus does not cover resales of shares of HBI common stock received by any person upon completion of the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any resale.

## **Background of the Merger**

Broward Bank opened in 2009 as a state chartered commercial bank. Since its inception, it has grown to approximately \$169 million in total assets as of June 30, 2014. As a part of its ongoing consideration and evaluation of BFHI's long-term prospects and strategies, BFHI's board of directors and senior management have regularly reviewed and assessed BFHI's business strategies and objectives, including strategic opportunities and challenges, and also considered ways in which BFHI might enhance shareholder value and performance in light of competitive and other relevant factors. Generally, these periodic reviews have centered on strategies to improve BFHI's existing operations and pursue opportunities for growth of its business. Often, these assessments included discussion and analysis of the importance of additional capital to support the continued growth of BFHI's operations. As a part of those capital efforts, in 2011 BFHI applied to the United States Treasury to participate in the Treasury's Small Business Lending Fund (SBLF) as part of the JOBS Act. This program was initiated to promote continued financial institution growth by affording capital to small healthy community banks. BFHI's application to participate in the program was approved and it sold \$3.1 million of preferred stock to the Treasury, with a substantial portion of the proceeds contributed to Broward Bank to increase its capital. The board of directors of BFHI considered the SBLF capital to be desirable because it represented needed capital to support the operations of Broward Bank and did not constitute a dilution to the common stock ownership of existing BFHI shareholders.

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During 2012, the BFHI board of directors continued its assessment of the capital needs of Broward Bank to support increased growth. The board's discussions also included the possibility of mergers and acquisitions, including mergers of equals or non-premium combination transactions involving other community banks. In March of 2012, BFHI President and CEO Keith Costello met Tracy French, Centennial Bank's Florida market president at an industry conference in Washington, D.C. Also during this time, Mr. Costello was an active board member of the Florida Bankers Association (FBA). After their initial meeting, Mr. Costello and Mr. French continued to interact through their FBA activities. At an FBA event in February of 2013, Mr. French indicated to Mr. Costello that Centennial Bank had an interest in acquiring Florida banks and may have an interest in exploring discussions with BFHI. Mr. Costello reported Mr. French's conversation to BFHI's board of directors and it was decided that these and other inquiries about BFHI's opportunities for merger and acquisition transactions should be handled by BFHI's Strategic Planning Committee so as not to distract Mr. Costello from his oversight duties involving BFHI and Broward Bank. The Strategic Planning Committee was chaired by board member Paul Sallarulo and included board members Bryan Haagenson, Stephen Greep, Jr., E. Clay Shaw III, Gregory C. Sandefur, Al Thomas and Karen Marsal.

At Mr. French's request, a dinner was arranged on April 9, 2013 in Ft. Lauderdale, Florida immediately following the BFHI April monthly board of directors meeting for the purpose of introducing Mr. French to the board members. BFHI board members attending included Messrs. Costello, Greep, Haagenson, Sandefur, Thomas and Shaw, Ms. Marsal, John H. Baker, Paul M. Sallarulo, and John P. Seiler. At the dinner, Mr. French expressed to the BFHI board HBI's interest in exploring an acquisition transaction with BFHI. After the dinner, Mr. French followed up with Mr. Haagenson to discuss arranging for HBI's Chairman, John Allison, to meet with the BFHI board. On April 25, 2013, a dinner was held in Ft. Lauderdale with the BFHI board of directors and Messrs. Allison and French and Randy Sims (HBI's Chief Executive Officer). BFHI board members attending included Baker, Costello, Greep, Haagenson, Sallarulo, Sandefur, Seiler, Thomas and Shaw and Ms. Marsal. The dinner was an opportunity for both groups to meet, share general information regarding their respective organizations, and discuss the possibility of an acquisition transaction involving HBI and BFHI. Mr. Haagenson remained in touch with Mr. French following the dinner to continue to discuss HBI's interest in pursuing a transaction with BFHI.

During May 2013, HBI began discussions with Liberty Bancshares, Inc. (Liberty), concerning a merger and subsequently announced on June 25, 2013, an agreement to acquire Liberty, a \$2.8 billion asset bank based in Jonesboro, Arkansas. Mr. French called Mr. Haagenson to tell him the discussion of a possible transaction with BFHI had to be put on hold until after the completion of the Liberty merger. Mr. French said that once that acquisition was completed HBI may be interested in seeing if BFHI had a desire to recommence discussions regarding a possible combination transaction. The acquisition of Liberty closed on October 24, 2013, and Liberty's operations were fully converted into HBI's in the fourth quarter of 2013.

During the rest of 2013 and into 2014, the BFHI board of directors continued to review the opportunities available to BFHI and the continuing need that BFHI had for additional capital to support the operations of Broward Bank. It was also becoming apparent to the BFHI board of directors that BFHI may need to pursue a capital offering transaction in late 2014 or early 2015 as a result of the upcoming anticipated increase in the dividends that BFHI would be required to pay to the Treasury for the shares of preferred stock. The terms of the Treasury preferred stock required BFHI's initial dividend payments to the Treasury to be based on the increase in small business loans closed by BFHI over a baseline amount. Since BFHI was able to generate sufficient loan growth, the dividend on the \$3.1 million of preferred stock was never more than 1% annually. However, the dividend is due to increase in the third quarter of 2015 to 9% based on the terms of the Treasury program. Because of this and the need for additional capital to support Broward Bank's continued growth, the board of directors of BFHI anticipated that BFHI would potentially need to pursue a capital offering during the latter part of 2014 and 2015. The board of directors of BFHI also knew that any capital offering by a financial institution, including BFHI, would have inherent prospects of uncertainty both as to ability to raise the dollar amount that would be required to redeem the Treasury preferred stock and provide additional capital to Broward Bank, but also as to the terms of the pricing for any shares of common stock sold by BFHI in the offering. The board of



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directors was mindful of many factors in connection with such a possible capital offering, including the potential dilutive effect that it may have to existing BFHI shareholders.

Mr. French remained in periodic contact with Mr. Haagenson and Mr. Costello following the termination of discussions in 2013. Following the conversion of Liberty, the management team of HBI began internal discussions about BFHI and the possibility of a transaction. In May 2014, Mr. French again contacted Mr. Costello and indicated that HBI was interested in resuming discussions with BFHI regarding a possible acquisition transaction. After a series of conversations between Messrs. French and Haagenson, on May 21, 2014, Mr. Allison, Mr. Sims and Mr. French met with Mr. Haagenson, Mr. Sallarulo and John P. Seiler, Chairman of BFHI board, in Ft. Lauderdale, Florida to discuss acquisition opportunities and pricing. On June 7 2014, Mr. Allison, Mr. Sims, Mr. French, Bob Birch (Regional President of Centennial Bank), Brian Davis (Chief Accounting Officer and Investor Relations Officer of HBI), and Kevin Hester (Chief Lending Officer of HBI and Centennial Bank) met with all members of the BFHI board who attended either in person or by teleconference in Ft. Lauderdale, Florida to discuss in more detail the terms of a possible acquisition transaction that led to the creation of a non-binding letter of intent which was sent by HBI to the BFHI board of directors on June 9, 2014. On June 11, 2014, the letter of intent was signed by BFHI and HBI. It provided for a 30 day exclusivity period for the parties to continue negotiation and due diligence, and also included other general terms previously discussed and a timeframe for potentially executing a definitive agreement.

The board of directors of BFHI, particularly Messrs. Sallarulo and Haagenson of the Strategic Planning Committee, then initiated due diligence of HBI. From June 23, 2014 to June 25, 2014, HBI conducted its primary due diligence on BFHI and Broward Bank. In conjunction with the due diligence reviews, the parties also continued negotiations of the terms and conditions of a possible definitive agreement, including but not limited to, the calculation of tangible book value upon which the purchase price would be based. On July 14, 2014, a conference call meeting of the BFHI board of directors was held to provide an update on the discussions with HBI and the calculation of tangible book value upon which the purchase price would be based, as well as other issues with regard to a potential definitive agreement. During this period numerous conversations and discussions occurred between BFHI and HBI representatives. The terms of the possible transaction also were discussed primarily with Messrs. Haagenson and Sallarulo and also BFHI Board Chairman, John P. Jack Seiler, as well as Mr. Costello and BFHI's CFO Debbie Kohl. After July 11, 2014, BFHI and HBI representatives continued to negotiate the terms of a potential transaction even though the letter of intent had expired.

HBI presented BFHI with an initial draft of the merger agreement on July 21, 2014. BFHI made initial comments on the draft merger agreement to HBI in a conference call on July 23, 2014. From July 23, 2014, to July 29, 2014, executive management of HBI and executive management and board members of BFHI and their respective legal counsel continued to negotiate the final terms of the merger agreement and related documents.

On July 29, 2014, two BFHI and Broward Bank board of directors meetings were held. During the first meeting, the BFHI and Broward Bank boards reviewed the status of the proposed transaction with BFHI's outside legal and financial advisors and senior management. Representatives of Hovde reviewed the financial aspects of the proposed merger and rendered an opinion to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Hovde as set forth in such opinion, the consideration in the proposed merger to be received by BFHI shareholders was fair, from a financial point of view, to the BFHI shareholders. In addition, a representative of Smith Mackinnon, P.A., reviewed with the directors the directors' fiduciary duties in connection with acquisition transactions. Legal counsel also reviewed with the directors the most recent draft of the proposed merger agreement and related transaction documents as well as the legal standards applicable to the board's decision and action with respect to the proposed transaction. Following further discussion, the board of directors approved the merger agreement but subject to the resolution of several outstanding issues.

The second meeting of the BFHI and Broward Bank boards held on July 29, 2014, was to provide an update to the directors on HBI's response to the resolution of the issues raised by BFHI in connection with the final draft of the definitive agreement. Legal counsel was asked to continue discussions with HBI regarding these issues.

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The BFHI and Broward Bank board then held a meeting on July 30, 2014, at 7:30 a.m. Legal counsel reported on the issues discussed with HBI with regard to the definitive agreement. The issues included a final determination of the computation of the SBA Loans for purposes of the adjusted third quarter net income, the payment amount for the director and officer liability insurance coverage and its effect on the purchase price computation, and the covenant that all holders of outstanding stock purchase warrants exercise such warrants prior to the closing of the transaction and the potential effect on the purchase price. A representative of Hovde confirmed that its previously delivered fairness opinion would still be considered issued based upon the adjustments to the merger agreement being considered by the BFHI and Broward Bank directors at the meeting. After additional discussion, the directors of both BFHI and Broward Bank unanimously approved the merger agreement, which was signed by the parties on July 30, 2014. HBI issued a press release announcing the signing of the merger agreement on July 30, 2014.

### **Recommendation of BFHI's Board of Directors and Reasons for the Merger**

BFHI's board of directors reviewed and discussed the proposed merger with management and its financial and legal advisors in determining that the proposed merger is in the best interests of BFHI and its shareholders. In reaching its conclusion to approve the Merger Agreement, BFHI's board of directors considered a number of factors, including the following:

the board's knowledge of the current environment in which BFHI operates, including national and local economic conditions, the competitive environment, the increased regulatory burden and expense imposed on financial institutions as a result of recent legislation, the trend toward consolidation in the financial services industry and the likely effect of these factors on BFHI's potential growth, development, profitability and strategic options;

the results that BFHI could expect to achieve operating independently, and the likely risks and benefits to shareholders of that course of action, as compared with the value of the merger consideration;

the board's view that the size of the institution and related economies of scale were becoming increasingly important to continued success in the current financial services environment and that a merger with a larger bank holding company could provide those economies of scale, increase efficiencies of operations and enhance customer products and services;

the opportunities and prospects of BFHI for future organic growth and/or future growth through acquisitions without raising additional capital;

the board's understanding of each of BFHI's and HBI's business, operations, management, financial condition, asset quality, credit culture, earnings and prospects;

the prospects for continued growth and enhanced performance of the combined company;

the fact that BFHI's shareholders will receive stock of HBI which would allow BFHI shareholders to participate in the future performance of the combined company, and the value to BFHI shareholders represented by that consideration;

the greater liquidity in the trading market for HBI common stock relative to the market for BFHI common stock due to the listing of HBI's shares on The NASDAQ Global Select Market;

the strong historical performance of HBI and the HBI common stock;

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the cash dividends historically paid by HBI on its common stock;

the opinion and financial presentations of Hovde Group, LLC to the board of directors as to the fairness, from a financial point of view, of the merger consideration to be received by holders of BFHI common stock;

the belief of the BFHI board of directors that HBI emphasizes many of the same values embraced by BFHI in the conduct of its business, such as, excellent customer service, employee development and delivery of value to shareholders;

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the potential effect of the merger on BFHI's employees, including the prospects for continued employment and the severance and other benefits agreed to be provided by HBI to BFHI's employees;

the anticipated likelihood of HBI receiving the requisite regulatory approvals in a timely manner; and

the expected treatment of the merger as a reorganization for federal income tax purposes.

The discussion of the information and factors considered by BFHI's board of directors is not exhaustive, but includes all the material factors considered by BFHI's board of directors. In view of the wide variety of factors considered by BFHI's board of directors in connection with its evaluation of the merger and the complexity of these matters, the board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. BFHI's board of directors evaluated the factors described above, including asking questions of management and its legal and financial advisors, and reached consensus that the merger was in the best interests of BFHI and its shareholders. In considering the factors described above, individual members of BFHI's board of directors may have given different weights to different factors. BFHI's board of directors considered these factors as a whole, and overall considered them to be favorable to, and to support its determination.

BFHI's board of directors determined that the merger, the Merger Agreement and the transactions contemplated thereby are advisable and in the best interests of BFHI and its shareholders. Accordingly, the board of directors unanimously approved the Merger Agreement and unanimously recommends that BFHI's shareholders vote **FOR** approval of the Merger Agreement.

**Opinion of Financial Advisor of Broward Financial Holdings, Inc.**

Hovde Group, LLC ( Hovde ) has delivered a written opinion to the board of directors of BFHI that, as of the date of the merger agreement, based upon and subject to certain matters stated in the opinion, the estimated Merger Consideration in connection with the Merger is fair to the holders of BFHI common stock from a financial point of view. This opinion is attached to this proxy statement/prospectus as **Appendix B**. The opinion of Hovde is not a recommendation to any BFHI shareholder as to how to vote on the proposal to approve the merger agreement. You should read this opinion completely to understand the procedures followed, matters considered and limitations and qualifications on the reviews undertaken by Hovde in providing its opinion.

**Opinion of BFHI's Financial Advisor**

*The fairness opinion of BFHI's financial advisor, Hovde Group, LLC, is described below. The description contains projections, estimates and other forward-looking statements about the future earnings or other measures of the future performance of BFHI. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections. You should not rely on any of these statements as having been made or adopted by BFHI or HBI. You should review the copy of the fairness opinion, which is attached as **Appendix B**.*

Hovde has acted as BFHI's financial advisor in connection with the proposed Merger. Hovde is a nationally recognized investment banking firm with substantial experience in transactions similar to the Merger and is familiar with BFHI and its operations. As part of its investment banking business, Hovde is continually engaged in the valuation of businesses and their securities in connection with, among other things, mergers and acquisitions.

Hovde reviewed the financial aspects of the proposed Merger with BFHI's board of directors and, on July 29, 2014, delivered a written opinion to BFHI's board of directors that the estimated Merger Consideration in connection with the Merger was fair to the shareholders of BFHI from a financial point of view.

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The full text of Hovde's written opinion is included in this proxy statement/prospectus as **Appendix B** and is incorporated herein by reference. You are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Hovde. The summary of the opinion of Hovde set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. Hovde's opinion is directed to BFHI's board of directors and addresses only the fairness, from a financial point of view, of the estimated Merger Consideration in connection with the Merger to BFHI's shareholders. It does not address the underlying business decision to proceed with the Merger and does not constitute a recommendation to any of the shareholders as to how such shareholder should vote at the special meeting on the Merger or any related matter.

During the course of its engagement, and as a basis for arriving at its opinion, Hovde reviewed and analyzed material bearing upon the financial and operating conditions of BFHI, HBI and material prepared in connection with the Merger, including, among other things, the following:

a draft of the Agreement dated July 23, 2014, as provided to Hovde by BFHI;

certain unaudited financial statements for BFHI and HBI for the six-month period ended June 30, 2014;

certain historical annual reports of each of BFHI and HBI, including audited annual reports for BFHI and HBI for the year ending December 31, 2013;

certain historical publicly available business and financial information concerning each BFHI and HBI;

internal financial statements and other financial and operating data concerning of BFHI, including, without limitation, internal financial analyses and forecasts prepared by management of BFHI, and held discussions with senior management of BFHI regarding recent developments and regulatory matters;

financial projections prepared by certain members of senior management of BFHI;

the terms of recent merger, acquisition and control investment transactions, to the extent publicly available, involving financial institutions and financial institution holding companies that Hovde considered relevant;

the general economic, market and financial conditions;

the pro forma impact of the Merger on the combined company's earnings per share, consolidated capitalization and financial ratios; and

certain publicly available financial and stock market data relating to selected public companies that Hovde deemed relevant to its analysis;

Hovde also had discussions with members of senior management of BFHI for purposes of reviewing the business, financial condition, results of operations and future prospects of BFHI, as well as the history and past and current operations of BFHI, BFHI's historical financial performance and BFHI's outlook and future prospects. Hovde also discussed with management of BFHI, its assessment of the rationale for the Merger. Hovde also performed such other analyses and considered such other factors as Hovde deemed appropriate and took into account its experience in other transactions, as well as its knowledge of the banking and financial services industry and its general experience in securities valuations.

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In rendering its opinion, Hovde assumed, without independent verification, the accuracy and completeness of the financial and other information and representations contained in the materials provided to it by BFHI and in the discussions it had with the management of BFHI. Hovde relied upon the reasonableness and achievability of the financial forecasts and projections (and the assumptions and bases therein) provided to Hovde by BFHI and assumed that the financial forecasts, including without limitation, the projections regarding under-performing and non-performing assets and net charge-offs were reasonably prepared by BFHI on a basis reflecting the best

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currently available information and judgments and estimates by BFHI, and that such forecasts will be realized in the amounts and at the times contemplated thereby. Hovde did not assume any responsibility to verify such information or assumptions independently.

Hovde is not an expert in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for loan losses with respect thereto. Hovde assumed that such allowances for BFHI and HBI were, in the aggregate, adequate to cover such losses, and would be adequate on a pro forma basis for the combined entity. Hovde was not requested to make, and did not conduct, an independent evaluation, physical inspection or appraisal of the assets, properties, facilities or liabilities (contingent or otherwise) of BFHI or HBI, the collateral securing any such assets or liabilities, or the collectability of any such assets, and Hovde was not furnished with any such evaluations or appraisals, nor did Hovde review any loan or credit files of BFHI or HBI.

Hovde assumed that the Merger will be consummated substantially in accordance with the terms set forth in the Agreement, without any waiver of material terms or conditions by BFHI or any other party to the Agreement and that the final Agreement will not differ materially from the draft Hovde reviewed. Hovde assumed that the Merger is, and will be, in compliance with all laws and regulations that are applicable to BFHI and HBI. BFHI advised Hovde that there are no factors that would impede any necessary regulatory or governmental approval of the Merger. Hovde further assumed that, in the course of obtaining the necessary regulatory and government approvals, no restriction will be imposed on BFHI or on HBI that would have a material adverse effect on the contemplated benefits of the Merger. Hovde also assumed that no changes in applicable law or regulation will occur that will cause a material adverse change in the prospects or operations of the institutions after the Merger.

BFHI engaged Hovde on July 27, 2014, to provide BFHI with financial advisory services. Pursuant to the terms of the engagement, Hovde will receive consideration from BFHI for services provided, including a fee of \$20,000 for the delivery of its fairness opinion. Pursuant to the engagement agreement, in addition to its fees and regardless of whether the Merger is consummated, BFHI has agreed to reimburse Hovde for certain reasonable out-of-pocket expenses incurred in performing its services and to indemnify Hovde against certain claims, losses, and expenses arising out of the Merger or Hovde's engagement.

In performing its analyses, Hovde made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Hovde, BFHI and HBI. Hovde's opinion was necessarily based on financial, economic, market, and other conditions and circumstances as they existed on, and on the information made available to Hovde as of, the dates used in its opinion. Hovde has no obligation to update or reaffirm its opinion at any time. Any estimates contained in the analyses performed by Hovde are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities may be sold or the prices at which any securities may trade at any time in the future. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. Hovde's opinion does not address the relative merits of the Merger as compared to any other business combination in which BFHI might engage. In addition, Hovde's fairness opinion was among several factors taken into consideration by BFHI's board of directors in making its determination to approve the Agreement and the Merger. Consequently, the analyses described below should not be viewed as solely determinative of the decision of BFHI's board of directors or BFHI's management with respect to the fairness of the estimated Merger Consideration, or any consideration to be received, in connection with the Merger.

The following is a summary of the material analyses prepared by Hovde and delivered to BFHI's board of directors on July 29, 2014, in connection with the fairness opinion. This summary is not a complete description of the analyses underlying the fairness opinion or the presentation prepared by Hovde, but it summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion

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is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Hovde did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include the information presented in tabular format. The analyses and the summary of the analyses must be considered as a whole and selecting portions of the analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying the analyses and opinion of Hovde. The tables alone are not a complete description of the financial analyses.

*Precedent Transactions Analysis.* As part of its analysis, Hovde reviewed publicly available information related to three comparable groups ( Group A , Group B , and Group C ) of select acquisition transactions of banks. Group A consisted of acquisition transactions of banks headquartered in the state of Florida announced since January 1, 2013, involving banks in which the target had assets less than \$1.0 billion. Group B consisted of acquisition transactions of banks headquartered in the Southeast Region of the United States announced since January 1, 2013, involving banks in which the target had assets between \$100 million and \$350 million, a last-twelve-months return on average assets of greater than 0.00%, and non-performing assets represented less than 30% of total assets. Group C consisted of acquisition transactions of banks in the United States announced since January 1, 2013, involving banks in which the target had assets between \$100 million and \$250 million, a last-twelve-months return on average assets greater than 0.50%, and non-performing assets represented less than 2.0% of total assets. Information for the target institutions was based on the last twelve months starting with the most recent quarter prior to announcement of the transaction. The resulting three groups consisted of the following transactions (11 for Group A; 16 for Group B; 20 for Group C):

**Group A:****Buyer (State)**

HCBF Holding Company, Inc. (FL)  
 First American Bank Corporation (IL)  
 Seacoast Banking Corporation of Florida (FL)  
 Heritage Financial Group, Inc. (GA)  
 Home BancShares, Inc. (AR)  
 Banco de Sabadell, SA  
 Stonegate Bank (FL)  
 CenterState Banks, Inc. (FL)  
 Ameris Bancorp (GA)  
 HCBF Holding Company, Inc. (FL)  
 1st United Bancorp, Inc. (FL)

**Target (State)**

Highlands Independent Bancshares, Inc. (FL)  
 Bank of Coral Gables (FL)  
 BANKshares, Inc. (FL)  
 Alarion Financial Services, Inc. (FL)  
 Florida Traditions Bank (FL)  
 JGB Bank, National Association (FL)  
 Florida Shores Bancorp, Inc. (FL)  
 Gulfstream Bancshares, Inc. (FL)  
 Prosperity Banking Company (FL)  
 BSA Financial Services, Inc. (FL)  
 Enterprise Bancorp, Inc. (FL)



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**Group B:**

**Buyer (State)**

BNC Bancorp (NC)  
 Community & Southern Holdings, Inc. (GA)  
 Heritage Financial Group, Inc. (GA)  
 Home BancShares, Inc. (AR)  
 First Citizens Bancshares, Inc. (TN)  
 HomeTrust Bancshares, Inc. (NC)  
 TriSummit Bancorp, Inc. (TN)  
 Franklin Financial Network, Inc. (TN)  
 Premier Financial Bancorp, Inc. (WV)  
 Home Bancorp, Inc. (LA)  
 New Century Bancorp, Inc. (NC)  
 Cardinal Financial Corporation (VA)  
 Community & Southern Holdings, Inc. (GA)  
 First Community Corporation (SC)  
 Carolina Alliance Bank (SC)  
 Southern BancShares (N.C.), Inc. (NC)

**Target (State)**

Harbor Bank Group, Inc. (SC)  
 Alliance Bancshares, Inc. (GA)  
 Alarion Financial Services, Inc. (FL)  
 Florida Traditions Bank (FL)  
 Southern Heritage Bancshares, Inc. (TN)  
 Bank of Commerce (NC)  
 Community National Bank of the Lakeway Area (TN)  
 MidSouth Bank (TN)  
 Bank of Gassaway (WV)  
 Britton & Koontz Capital Corporation (MS)  
 Select Bancorp, Inc. (NC)  
 United Financial Banking Companies, Inc. (VA)  
 Verity Capital Group, Inc. (GA)  
 Savannah River Financial Corporation (GA)  
 Forest Commercial Bank (NC)  
 Heritage Bancshares, Inc. (NC)

**Group C:**

**Buyer (State)**

Community Bancshares, Inc. (OH)  
 Institution for Savings in Newburyport and Its Vicinity (MA)  
 Platte Valley Financial Service Companies, Inc. (NE)  
 First Citizens Bancshares, Inc. (TN)  
 Salisbury Bancorp, Inc. (CT)  
 First Financial Bancorp. (OH)  
 HV Bancorp, Inc. (PA)  
 Premier Financial Bancorp, Inc. (WV)  
 LCNB Corp. (OH)  
 Community & Southern Holdings, Inc. (GA)  
 Independent Bank Group, Inc. (TX)  
 1st Constitution Bancorp (NJ)  
 Carolina Alliance Bank (SC)  
 Wilshire Bancorp, Inc. (CA)  
 Haven Bancorp, MHC (NJ)  
 Sterling Financial Corporation (WA)  
 CBTCO Bancorp (NE)  
 Heritage Financial Corporation (WA)  
 Pacific Premier Bancorp, Inc. (CA)  
 Investor group

**Target (State)**

Citizens Bank of Ashville, Ohio (OH)  
 Rockport National Bancorp, Inc. (MA)  
 Mountain Valley Bancshares, Inc. (CO)  
 Southern Heritage Bancshares, Inc. (TN)  
 Riverside Bank (NY)  
 Insight Bank (OH)  
 Victory Bancorp, Inc. (PA)  
 Bank of Gassaway (WV)  
 Eaton National Bank and Trust Co. (OH)  
 Verity Capital Group, Inc. (GA)  
 Live Oak Financial Corp. (TX)  
 Rumson-Fair Haven Bank & Trust Co. (NJ)  
 Forest Commercial Bank (NC)  
 BankAsiana (NJ)  
 Hilltop Community Bancorp, Inc. (NJ)  
 Commerce National Bank (CA)  
 Bradley Bancorp (NE)  
 Valley Community Bancshares, Inc. (WA)  
 San Diego Trust Bank (CA)  
 Grand Savings Bank (OK)

For each precedent transaction, Hovde derived and compared the implied ratio of deal value to certain financial characteristics of BFHI as follows:

the multiple of the purchase consideration to the acquired company's last twelve months net income (the Price-to-LTM EPS Multiple);

the multiple of the purchase consideration to the acquired company's total assets (the Price-to-Assets Multiple);

the multiple of the purchase consideration to the acquired company's tangible book value (the Price-to-Tangible Common Book Value Multiple); and



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the multiple of the difference between the purchase consideration and the acquired company's tangible book value to the acquired company's core deposits (the Premium-to-Core Deposits Multiple).

The results of the analysis are set forth in the table below. Transaction multiples for the Merger were derived from an implied aggregate offer price of \$33.960 million or \$17.01<sup>(1)</sup> per diluted share for BFHI.

<b>Implied Value to BFHI Based On:</b>	<b>Price-to-LTM EPS Multiple</b>	<b>Price-to-Assets Multiple</b>	<b>Price-to-Tang. Common Book Value Multiple</b>	<b>Premium-to-Core Deposits Multiple</b>
<b>Merger Agreement</b>	20.4x	20.1%	164.9%(2)	10.0%(2)
<i>Precedent Transactions Group A:</i>				
Median	20.7x	10.6%	120.0%	3.9%
Average	21.0x	9.9%	117.4%	3.0%
<i>Precedent Transactions Group B:</i>				
Median	18.2x	12.0%	119.3%	4.4%
Average	18.2x	12.8%	121.0%	3.4%
<i>Precedent Transactions Group C:</i>				
Median	18.3x	12.9%	130.0%	4.5%
Average	18.2x	13.5%	131.7%	5.1%

(1) Assumes warrants are exercised prior to close; options remain unexercised

(2) Assumes adjusted tangible common equity of \$20.599M, which is equivalent to stated common equity plus adjusted Q3 net income (\$500K) plus warrants exercised (\$3.0M)

Using publicly available information, Hovde compared the financial performance of BFHI with that of the median and average of the precedent transactions from Groups A, B, and C. The performance highlights are based on the last twelve months starting with the quarter end information of Broward Bank as of March 31, 2014.

	<b>Tg. Equity/ Tg. Assets</b>	<b>Core Deposits</b>	<b>LTM ROAA</b>	<b>LTM ROAE</b>	<b>Efficiency Ratio</b>	<b>Non Int. Inc./ Assets</b>	<b>NPAs/ Assets</b>	<b>LLR/ NPLs</b>
<b>BFHI</b>	10.13%(1)	92.63%	0.99%	8.22%	65.39%	0.64%	0.65%	162.34%
<i>Precedent Transactions Group A:</i>								
Median	8.50%	86.33%	0.26%	3.91%	84.36%	0.61%	3.61%	58.04%
Average	8.19%	84.02%	0.38%	3.77%	81.73%	0.78%	4.41%	65.39%
<i>Precedent Transactions Group B:</i>								
Median	10.74%	83.58%	0.62%	5.40%	79.21%	0.73%	1.24%	103.89%
Average	10.85%	81.97%	0.62%	5.59%	79.48%	0.79%	1.48%	128.15%
<i>Precedent Transactions Group C:</i>								
Median	10.96%	80.10%	0.83%	7.47%	75.88%	0.60%	1.06%	130.73%
Average	10.79%	78.78%	0.90%	8.50%	73.37%	0.65%	0.99%	153.61%

(1) Assumes BFHI stated tangible common equity of \$17.099 million

No company or transaction used as comparison in the above transaction analyses is identical to BFHI or HBI, and no transaction was consummated on terms identical to the terms of the Merger Agreement. Accordingly, an analysis of these results is not strictly mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.



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*Discounted Cash Flow Analysis.* Taking into account various factors including, but not limited to, BFHI's recent performance, the current banking environment and the local economy in which BFHI operates, Hovde utilized earnings estimates for Broward Bank for a forward looking three and one-half year period with the assistance of information and guidance provided by the management of BFHI; BFHI management developed the forward-looking projections, which formed the basis of the discounted cash flow analyses. For BFHI's projected earnings, Hovde utilized BFHI's projections for Broward Bank and subtracted \$30,000 each year in bank holding company expenses and \$31,000 in SBLF dividends in 2014-2015 and \$157,000 in 2016-2017.

In order to determine a value for BFHI on a discounted cash flow basis, Hovde utilized three different methods of discounted cash flow analysis: 1) present value of future free cash flows into perpetuity, 2) present value of future free cash flows based off a price-to-LTM earnings takeout multiple of 18.3x, and 3) present value of future free cash flows based off a price-to-tangible common book value takeout multiple of 1.30x. In order to derive the terminal value in the takeout multiple methods, Hovde multiplied BFHI's projected 2017 earnings and tangible book value by their respective takeout multiples, as mentioned above. The LTM earnings takeout multiple was derived from the median LTM earnings multiple from Precedent Transactions Group C. The tangible common book value takeout multiple was also derived from the median tangible book value multiple from Precedent Transactions Group C.

Hovde performed variations of the discounted cash flow analysis using BFHI's projections. For the discounted cash flow analysis (DCF Analysis), Hovde utilized management's earnings projections for the second half of 2014, 2015, 2016, and 2017. Net income projections for Broward Bank for the second half of 2014, 2015, 2016, and 2017 were \$784,000, \$2.6 million, \$3.5 million, and \$4.5 million, respectively. Net income projections for BFHI, after subtracting bank holding company expenses and SBLF dividends, for the second half of 2014, 2015, 2016, and 2017 were \$739 thousand, \$2.6 million, \$3.3 million, and \$4.3 million, respectively. A range of discount rates between 13% and 15% were employed. These rates were chosen to reflect different assumptions regarding the required rates of return of holders or prospective buyers of BFHI Common Stock. The resulting values of the three DCF analyses (using the median discount rate of 14%) were \$16.62 per share, \$28.93 per share, and \$13.68 per share, with an average of \$19.74 per share.

These analyses and their underlying assumptions yielded a different values for BFHI, which are outlined in the table below:

<b>Implied Value to BFHI Based On:</b>	<b>Implied Transaction Value (Per Share)</b>	<b>Price-to-LTM Net Income Multiple</b>	<b>Price-to-Assets Multiple</b>	<b>Price-to-Tang. Book Value Multiple</b>	<b>Premium to Core Deposits Multiple</b>
Merger Agreement	\$ 17.01(1)	20.4x	20.1%	164.9%(2)	10.0%(2)
DCF Analysis Terminal Growth Model	\$ 16.62(1)	16.9x	16.7%	136.8%(2)	5.7%(2)
DCF Analysis Takeout Price-to-Earnings	\$ 28.93(1)	30.0x	29.6%	242.3%(2)	22.0%(2)
DCF Analysis Takeout Price-to-Tangible Book Value	\$ 13.68(1)	13.8x	13.63%	111.6%(2)	1.8%(2)

(1) Assumes all warrants are exercised prior to close and all options remain unexercised at close

(2) Assumes adjusted tangible common equity of \$20.599M, which is equivalent to stated common equity plus adjusted Q3 net income (\$500K) plus warrants exercised (\$3.0M)

Hovde noted that while the discounted cash flow present value analysis is a widely used valuation methodology, it relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. Hovde's analysis does not purport to be indicative of the actual values or expected values of BFHI's Common Stock.

*Other Factors and Analyses.* Hovde took into consideration various other factors and analyses, including but not limited to: current market environment; merger and acquisition environment; movements in the common stock valuations of selected publicly-traded banking companies; and movements in the S&P 500 Index.

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*Conclusion.* Based upon the foregoing analyses and other investigations and assumptions set forth in its opinion, without giving specific weightings to any one factor or comparison, Hovde determined that the estimated Merger Consideration in connection with the Merger is fair from a financial point of view to BFHI's shareholders. **Each shareholder is encouraged to read Hovde's fairness opinion in its entirety. The full text of this fairness opinion is included as Appendix B to this Proxy Statement.**

### **Actions of the HBI Board of Directors and Reasons for the Merger**

HBI's board of directors reviewed and discussed the proposed merger with management and its financial and legal advisors in determining that the proposed merger was in the best interest of HBI and its shareholders. In reaching its conclusion to approve the Merger Agreement, HBI's board of directors considered a number of factors, including the following:

The combined market footprint for HBI in Florida that the acquisition would provide.

The potential earnings accretion for HBI in the future given the opportunities for improvement in operational efficiencies.

The familiarity with BFHI's organization and management.

The common business philosophies and customer profiles.

The quality of BFHI's organization from a financial and regulatory perspective.

The potential market acceptance and approval of a transaction of this quality.

The discussion of the information and factors considered by the HBI's board of directors is not exhaustive, but includes all the material factors considered by HBI's board of directors. HBI's board of directors evaluated the factors described above, including asking questions of management and its legal and financial advisors, and reached consensus that the merger was in the best interests of HBI and its shareholders.

HBI's board of directors determined that the merger, the Merger Agreement and the transactions contemplated are advisable and in the best interests of HBI and its shareholders. Accordingly, the board of directors unanimously approved the Merger Agreement.

### **Management and Board of Directors of HBI After the Merger**

Upon completion of the merger, the board of directors of HBI will consist of the directors serving on the board of directors of HBI prior to the effective time of the merger. The current directors and senior officers of HBI are expected to continue in their current positions, other than as has been or may be publicly announced by HBI in the normal course. Information about the current HBI directors and executive officers can be found in the documents listed under "Where You Can Find More Information" included elsewhere in this proxy statement/prospectus.

### **Interests of BFHI Directors and Officers in the Merger and Golden Parachute Compensation**

*Stock Options.* Certain of BFHI's officers have interests in the merger as individuals in addition to, or different from, their interests as shareholders of BFHI, including that HBI has agreed to indemnify the officers of BFHI against certain costs, damages or liabilities incurred in connection with claims, investigations and other transactions arising out of or pertaining to matters existing or occurring at or prior to the effective time of the merger, and to provide them with officer's liability insurance coverage for a period of six years following the merger. In addition, these officers will be entitled to receive (i) cash payments at the closing of the merger in connection with the termination of their stock options, and (ii) cash payments in connection with the termination of their employment agreements upon the closing of the merger.



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Name	Cash (\$)	Equity (\$)	Other (\$)	Total (\$)
Keith Costello	\$ 229,604(1)	\$ 289,380(2)		\$ 518,984
Howard Zusman	\$ 178,500(3)	\$ 111,300(4)		\$ 289,800
Debbie Kohl	\$ 140,000(5)	\$ 111,300(6)		\$ 251,300

- (1) BFHI and Broward Bank entered into an Employment Agreement with Keith Costello dated January 12, 2009, that provides that in the event of a change of control and termination of his employment, he is entitled to receive his base salary for a period of twelve (12) months following his termination.
- (2) Keith Costello owns stock options representing the right to purchase 39,000 shares of BFHI common stock, and if he elects to receive cash for the termination of the options, he will receive an aggregate of \$289,380 (the difference between the exercise price and a per-share merger consideration of \$17.42 based on 1,949,513 BFHI shares outstanding) upon termination of those stock options.
- (3) Broward Bank entered into an Employment Agreement with Howard Zusman dated April 2, 2012, that provides that in the event of a change of control and termination of his employment, he is entitled to receive a cash payment equal to one (1) times his base salary.
- (4) Howard Zusman owns stock options representing the right to purchase 15,000 shares of BFHI common stock, and if he elects to receive cash for the termination of the options, he will receive an aggregate of \$111,300 (the difference between the exercise price and a per-share merger consideration of \$17.42 based on 1,949,513 BFHI shares outstanding) upon termination of those stock options.
- (5) Broward Bank entered into an Employment Agreement with Debbie Kohl dated February 1, 2014, that provides that in the event of a change of control and termination of her employment, she is entitled to receive a cash payment equal to one (1) times her base salary.
- (6) Debbie Kohl owns stock options representing the right to purchase 15,000 shares of BFHI common stock, and if she elects to receive cash for the termination of the options, she will receive an aggregate of \$111,300 (the difference between the exercise price and a per-share merger consideration of \$17.42 based on 1,949,513 BFHI shares outstanding) upon termination of those stock options.

In addition to the amounts payable upon closing of the merger, Centennial Bank may offer continued employment to one or more of the officers at salaries agreed upon by the officer and Centennial Bank.

*Stock Warrants.* The following directors of BFHI and Broward Bank have outstanding warrants. Upon payment of the warrant exercise price, each director will receive the following number of shares of BFHI common stock, which shall be exchangeable for per-share merger consideration:

John H. Baker	25,001
Keith Costello	20,833
Stephen Greep, Jr.	20,833
Bryan J. Haagenson	29,167
Greg C. Sandefur	45,833
John P. Seiler	20,833
Paul M. Sallarulo	20,833
E. Clay Shaw, III	25,001
Ronnie Brown	20,833
D. Arnold Tillman	20,833

**Termination of Stock Options**

BFHI has outstanding stock options to purchase 115,000 shares of BFHI common stock. Any BFHI stock option that remains outstanding and unexercised immediately prior to the effective time shall automatically, and without any action on the part of its holder, be terminated by BFHI and shall entitle the holder to an issuance of 0.41 shares of BFHI common stock for each BFHI stock option terminated or a cash payment equal to the difference between the option exercise price and the equivalent dollar value of the Merger Consideration.

If all of the option holders elect to receive cash for their BFHI stock options, the total amount to be paid for termination of the options assuming a per-share merger consideration of \$17.42 (based on 1,949,513 BFHI shares outstanding) would be approximately \$853,266 (including the amounts payable to directors and officers as described in the preceding section).



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**THE MERGER AGREEMENT**

**Effects of the Merger**

As a result of the merger, HOMB Acquisition Sub II, a wholly-owned subsidiary of HBI to be incorporated prior to the closing of the merger, will merge with and into BFHI with BFHI as the surviving corporation. The articles of incorporation and bylaws of the surviving corporation will be the articles of incorporation and bylaws of HOMB Acquisition Sub II as in effect immediately prior to the effective time of the merger, and the directors and officers of the surviving corporation shall hold office until their respective successors are duly appointed and qualified, or their earlier death, resignation or removal.

As soon as reasonably practicable following the merger and as part of a single integrated transaction, HBI shall cause Broward Bank to be merged with and into Centennial Bank in the second-step merger with Centennial Bank surviving this second merger and continuing its existence under the laws of the State of Arkansas, and the separate corporate existence of Broward Bank ceasing as of the effective time of this second-step merger.

As a result of the merger, there will no longer be any shares of BFHI common stock. BFHI shareholders will no longer have any direct interest in the surviving company. BFHI shareholders receiving shares of HBI common stock as merger consideration will only participate in the combined company's future earnings and potential growth through their ownership of HBI common stock. All of the other incidents of direct stock ownership in BFHI, such as the right to vote on certain corporate decisions, to elect directors and to receive dividends and distributions from BFHI, will be extinguished upon completion of the merger.

**Effective Time of the Merger**

The closing of the merger will occur at 12:00 p.m. Central Time, on October 16, 2014, unless the parties mutually agree to extend the closing. The merger will be effective at the close of business of Broward Bank as determined by the Federal Reserve on the date specified in the articles of merger to be filed by HBI with the Secretary of State of the State of Arkansas and the Secretary of State of the State of Florida on or before the closing date. As of the date of this proxy statement/prospectus, the parties expect that the merger will be effective during the fourth calendar quarter of 2014. However, there can be no assurance as to when or if the merger will occur.

As described below, if the merger is not completed by April 30, 2015, the Merger Agreement may be terminated by either HBI or BFHI, unless the failure of the closing to occur by such date is due to the failure of the party seeking to terminate the Merger Agreement to perform or observe the covenants and agreements of such party set forth in the Merger Agreement.

**Covenants and Agreements**

*Conduct of Businesses Prior to the Completion of the Merger.* BFHI has agreed that, prior to the effective time of the merger, it will conduct its business in the ordinary course consistent with past practice in all material respects and use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships. BFHI and HBI have agreed to take no action (and to cause their subsidiaries to take no action) that is intended to or would reasonably be expected to adversely affect or materially delay the ability to obtain any necessary approvals of any regulatory agency or other governmental entity required for the completion of the merger or to perform the covenants and agreements in the Merger Agreement or to consummate the merger and the other transactions contemplated by the Merger Agreement.

In addition to the general covenants above, BFHI has agreed that prior to the effective time of the merger, subject to specified exceptions, it will not, and will not permit its subsidiaries to, without the prior approval of HBI (which approval shall not be unreasonably withheld):

enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management, and other banking and operating policies, except as required by any applicable legal requirement or policies imposed by any governmental authority;

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make any capital expenditures outside the ordinary course of business other than as required pursuant to contracts already entered into;

terminate, enter into, amend, modify or renew any employee benefit plan (as defined by ERISA), any material contract (as defined by Regulation S-K), or any other contracts not in the ordinary course of business;

issue, sell or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of, any additional shares of BFHI's stock or any additional options or other rights, grants or awards with respect to BFHI's stock;

make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its capital stock;

sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its assets, deposits, businesses or properties, except for sales, transfers, mortgages, encumbrances or other dispositions or discontinuances in the ordinary course of business consistent with past practice and in a transaction that individually or taken together with all other such transactions is not material to BFHI;

incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for the obligations of, any other Person, provided that BFHI may continue to borrow money from the Federal Home Loan Bank System, the Federal Reserve or any other governmental authority in a manner consistent with past practice;

make, renew or amend any extension of credit, individually or in the aggregate with other extensions of credit to the same relationship, in excess of \$250,000;

enter into, renew or amend any interest rate swaps, caps, floors and option agreements and other interest rate risk management arrangements, whether entered into for the account of it or for the account of a customer of it, except in the ordinary course of business and consistent with past practice;

acquire (other than by way of foreclosures, acquisitions of control in a fiduciary or similar capacity, acquisitions of loans or participation interests, or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business and consistent with past practice) all or any portion of the assets, business, deposits or properties of any other person;

merge or consolidate with or into any legal entity, dissolve, liquidate, or otherwise terminate its existence;

file any application to establish, or to relocate or terminate the operations of, any banking office;

amend BFHI articles of incorporation or bylaws or similar organizational documents for its subsidiaries or otherwise add, amend or modify in any respect the duties or obligations of indemnification by BFHI with respect to any of its respective directors, officers, employees, agents or other entities;

implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable accounting requirements of a governmental authority;

make, change or revoke any tax election, file any amended tax return (unless to correct an error with the prior written consent of HBI, such consent not to be unreasonably withheld or delayed), enter into any closing agreement, settle any tax audit, claim or assessment, surrender or reduce any right to claim a refund of taxes, agree to extend any statute of limitations relating to taxes, fail to duly and timely file with appropriate taxing authorities all tax returns required to be filed by or with respect to BFHI or its subsidiary or fail to remit any taxes due, whether or not shown on any tax return;

without the prior written consent of HBI, such consent not to be unreasonably withheld or delayed, settle any action, suit, claim or proceeding against BFHI, except for any action, suit, claim or proceeding arising out of or in connection with the Merger Agreement or for any other action, suit, claim or proceeding that is settled in a manner consistent with past practice that would not (A) impose

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any material restriction on the business after the Closing, HBI or their respective affiliates or (B) create precedent for claims that are reasonably likely to be material to BFHI or, after the Closing, HBI or their respective affiliates;

other than in the ordinary course of business and consistent with past practice, terminate, enter into, amend, modify (including by way of interpretation) or renew any employment, consulting, severance, change in control or similar contract, agreement or arrangement with any director, officer, employee or consultant, or grant any salary or wage increase or increase any employee benefit, including incentive or bonus payments (or, with respect to any of the preceding, communicate any intention to take such action), except to make changes that are required by any applicable legal requirements;

terminate, enter into, establish, adopt, amend, modify (including by way of interpretation), make new grants or awards under or renew any employee benefit plan (as defined by ERISA), except (A) as required by applicable legal requirements, or (B) to satisfy contractual obligations existing as of the date hereof;

(A) grant, extend, amend (except as required in the diligent prosecution of the Proprietary Rights owned, beneficially, and of record where applicable) by or developed for BFHI, waive, or modify any material rights in or to, sell, assign, lease, transfer, license, let lapse, abandon, cancel, or otherwise dispose of, or extend or exercise any option to sell, assign, lease, transfer, license, or otherwise dispose of, any Proprietary Rights, or (B) fail to exercise a right of renewal or extension under any material agreement under which BFHI is licensed or otherwise permitted by a third party to use any Proprietary Rights (other than shrink wrap or click through licenses), unless BFHI obtains a substantially similar license or right to use such Proprietary Rights on terms as favorable as the terms under the existing agreement;

participate in any program sponsored or administered by any governmental authority, which program is not part of the usual and customary banking business of Broward Bank;

engage in (or modify in a manner adverse to BFHI) any transactions with any entity known to be a shareholder of BFHI or any director or officer of BFHI (or any affiliate of any such person), other than deposit relationships in the ordinary course of business consistent with past practice and extensions of credit which are on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons unaffiliated with BFHI and did not involve more than the normal risk of collectability or present other unfavorable features;

knowingly take, or knowingly omit to take, any action that would result in a violation of the Merger Agreement covenants, or would result in any of the representations and warranties of BFHI made in the Merger Agreement becoming untrue, or would prevent BFHI from performing its obligations under the Merger Agreement or consummating the closing;

enter into any contract in violation of the covenants, representations or warranties of the Merger Agreement; and

enter into, or extend, any leases or rental agreements.

Regarding BFHI covenants above, if by enforcing a particular covenant HBI would be exercising control over BFHI or Broward Bank as control is defined under 12 U.S.C Section 1841(a)(2) prior to obtaining approval from the Federal Reserve, HBI will not enforce such covenant.

*Regulatory Matters.* HBI and BFHI have agreed to promptly prepare and file with the SEC a registration statement on Form S-4, of which this proxy statement/prospectus is a part. HBI and BFHI have agreed to use reasonable best efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing, and BFHI to mail or deliver the proxy statement/prospectus to BFHI's shareholders. HBI has also agreed to use its reasonable best efforts to obtain all necessary state securities law or blue sky permits and approvals required to consummate the merger, and BFHI has agreed to furnish all information concerning BFHI and the holders of BFHI common stock as may be reasonably requested in connection with any such action.



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HBI and BFHI have agreed to cooperate with each other and use their respective reasonable best efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and governmental entities that are necessary or advisable to consummate the merger as soon as possible, and no later than March 31, 2014, to the extent reasonably practicable, and to comply with the terms and conditions of all such permits, consents, approvals and authorizations. BFHI and HBI have the right to review in advance and, to the extent practicable, each will consult the other on, in each case subject to applicable laws, all the non-confidential information relating to BFHI or HBI (excluding any confidential financial information relating to individuals), as the case may be, and any of their respective subsidiaries, that appear in any filing made with, or written materials submitted to, any third party or any governmental entity in connection with the transactions contemplated by the Merger Agreement. In addition, BFHI and HBI will consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and governmental entities necessary or advisable to consummate the merger and each party will keep the other apprised of the status of matters relating to the completion of the merger. Each party will consult with the other in advance of any meeting or conference with any governmental entity in connection with the merger and, to the extent permitted by such governmental entity, give the other party and/or its counsel the opportunity to attend and participate in such meetings and conferences. Additionally, each of HBI and BFHI has agreed to furnish to the other, upon request, all information concerning itself, its subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with this proxy statement/prospectus, the Form S-4 or any other statement, filing, notice or application made by or on behalf of HBI, BFHI or any of their respective subsidiaries to any governmental entity in connection with the merger.

HBI and BFHI have agreed to use their reasonable best efforts to (i) avoid the entry of, or to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that would restrain, prevent or delay the closing of the merger, and (ii) avoid or eliminate each and every impediment under any applicable law and resolve any questions or issues raised by any governmental entity so as to enable the closing of the merger to occur as soon as possible, and in any event no later than March 31, 2015, including, without limitation, making expenditures and incurring costs, raising capital, divesting or otherwise disposing of businesses or assets of HBI, BFHI, and their respective subsidiaries, effecting the dissolution, internal merger or consolidation of subsidiaries of HBI or BFHI effective upon the completion of the merger, or enhancing internal controls (including by increasing staffing levels and external hires).

Each of HBI and BFHI will promptly advise the other upon receiving any communication from any governmental entity the consent or approval of which is required for consummation of the merger that causes such party to believe that there is a reasonable likelihood that any requisite regulatory approval will not be obtained or that the receipt of any such approval may be materially delayed.

*Shareholder Approval.* BFHI's board of directors has resolved to recommend to the BFHI shareholders that they approve the Merger Agreement and to submit to BFHI shareholders the Merger Agreement and any other matters required to be approved by BFHI shareholders in order to carry out the intentions of the Merger Agreement, subject to certain exceptions if, following the receipt of a Superior Proposal (as defined below), the board of directors of BFHI concludes in good faith (and based on the advice of counsel) that the failure to withdraw its recommendation or terminate the Merger Agreement would more likely than not result in a violation of the board's fiduciary duties under applicable law.

*NASDAQ Listing.* HBI will cause the shares of HBI common stock to be issued in the merger to have been authorized for listing on The NASDAQ Global Select Market.

*Employee Matters.* The Merger Agreement provides that HBI shall provide each employee who is actively employed by BFHI on the closing date while employed by HBI following the closing date with employee benefits which, in the aggregate, are no less favorable than employee benefits provided by HBI to similarly situated employees of HBI. HBI shall pay amounts due to BFHI's three executive officers pursuant to the change

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in control provisions applicable under the employment agreements between such individuals and BFHI. The terms of employment of these individuals by Centennial Bank shall be as mutually agreed upon by the parties.

*Indemnification and Directors and Officers Insurance.* From and after the effective time of the merger, HBI and the surviving corporation will indemnify and hold harmless each present and former director and officer of BFHI and its subsidiaries against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the effective time of the merger, to the same extent as such persons are indemnified or have the right to advancement of expenses pursuant to the bylaws of BFHI and permissible under the applicable law.

In addition, for a period of six years following the effective time of the merger, HBI will provide director's and officer's liability insurance that serves to reimburse the present and former officers and directors of BFHI (determined as of the effective time) with respect to claims against such directors and officers arising from facts or events occurring before the effective time (including the transactions contemplated by the Merger Agreement, which insurance will contain at least the same coverage and amounts, and contain terms and conditions no less advantageous to the indemnified party as that coverage currently provided by BFHI. Prior to the effective time and in lieu of the foregoing, BFHI will use commercially reasonable best efforts to purchase a tail policy for directors' and officers' liability insurance on the terms described in the prior sentence and fully pay for such policy prior to the closing of the merger. To the extent the premium for the new or tail policy exceeds \$100,000, the Purchase Price shall be reduced by an amount equal to the difference between the cost of the premium and \$100,000.

*No Solicitation.* The Merger Agreement precludes BFHI and its respective officers, directors, agents, advisors and affiliates from initiating, soliciting, or encouraging inquiries or proposals with respect to, or participating in any negotiations concerning, or providing any nonpublic information relating to, any Acquisition Proposal (as defined below). However, if at any time after the date of the Merger Agreement and prior to obtaining the approval of the Merger Agreement by BFHI shareholders, BFHI receives an unsolicited bona fide Acquisition Proposal and the board of directors of BFHI concludes in good faith that such Acquisition Proposal constitutes, a Superior Proposal (as defined below), then BFHI and its board of directors may furnish or cause to be furnished nonpublic information and participate in such negotiations or discussions to the extent that the board of directors of BFHI concludes in good faith (and based on the advice of counsel) that failure to take such actions would be reasonably likely to violate its fiduciary duties under applicable law. Prior to providing any such nonpublic information or engaging in any such negotiations, BFHI must have entered into a confidentiality agreement with such third party on terms no less favorable to BFHI than the confidentiality agreement between BFHI and HBI, and such confidentiality agreement must expressly permit BFHI to comply with its obligations pursuant to the Merger Agreement. BFHI must promptly (and in any event within 24 hours) advise HBI following receipt of any Acquisition Proposal or any request for nonpublic information or inquiry that would reasonably be expected to lead to any Acquisition Proposal and the substance thereof (including the identity of the person making such Acquisition Proposal), and keep HBI promptly apprised of any related developments, discussions and negotiations (including the terms and conditions of any such request, inquiry or Acquisition Proposal, or all amendments or proposed amendments thereto) on a current basis.

As used in the Merger Agreement, "Acquisition Proposal" means any proposal or offer other than the Merger Agreement with respect to any transaction or any public announcement by any entity of a proposal, plan or intention with respect to any (a) any merger, consolidation, share exchange, business combination or other similar transaction; (b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets that constitute a substantial portion of the assets of BFHI in a single transaction or series of transactions; or (c) any tender offer or exchange offer for 20% or more of the outstanding shares of its capital stock or the filing of a registration statement under the Securities Act, in connection therewith.

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In addition, in the event that BFHI receives an Acquisition Proposal that BFHI's board of directors concludes in good faith constitutes a Superior Proposal (as defined below), the board of directors of BFHI may withdraw or materially and adversely modify its recommendation that BFHI shareholders vote to approve the Merger Agreement, or recommend to its shareholders an Acquisition Proposal other than the merger, or terminate the Merger Agreement, if it concludes in good faith (and based on the advice of counsel) that failure to take such actions would be more likely than not to result in a violation of its fiduciary duties under applicable law, as long as BFHI gives HBI prior written notice at least four business days before taking such action and during such four business day period BFHI negotiates in good faith with HBI to enable HBI to make an improved offer that is at least as favorable to the shareholders of BFHI as such alternative Acquisition Proposal.

As used in the Merger Agreement, Superior Proposal means any proposal or offer other than the Merger Agreement with respect to any transaction or any public announcement by any entity of a proposal, plan or intention with respect to any (a) merger, consolidation, share exchange, business combination or other similar transaction; (b) sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets that constitute a substantial portion of the assets of BFHI in a single transaction or series of transactions; or (c) tender offer or exchange offer for 50% or more of the outstanding shares of its capital stock or the filing of a registration statement under the Securities Act, in connection therewith.

As a condition of the closing, BFHI will effect the redemption of BFHI's preferred securities.

## **Representations and Warranties**

The Merger Agreement contains representations and warranties made by BFHI to HBI relating to a number of matters, including the following:

corporate organization, qualification to do business, and subsidiaries;

capitalization;

requisite corporate authority to enter into the Merger Agreement and to complete the contemplated transactions;

absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;

required regulatory consents, approvals and filings necessary in connection with the merger;

reports to regulatory authorities and the accuracy of the information contained therein;

financial statements, and the absence of undisclosed liabilities;

broker's fees payable in connection with the merger;

the absence of certain changes or events;

compliance with applicable law, including the existence of cease-and-desist orders, consent agreements or memoranda of understanding or similar communications with governmental entities;



employee benefit matters;

accuracy of BFHI information provided in this proxy statement/prospectus;

legal proceedings;

certain material contracts;

environmental matters;

tax matters;

intellectual property;

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properties;

insurance;

accounting and internal controls;

loan matters;

Community Reinvestment Act compliance;

investment securities;

related party transactions; and

labor matters.

The Merger Agreement also contains representations and warranties made by HBI to BFHI relating to a number of matters, including the following:

corporate organization, qualification to do business, and subsidiaries;

capitalization;

requisite corporate authority to enter into the Merger Agreement and to complete the contemplated transactions;

absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;

required regulatory consents, approvals and filings necessary in connection with the merger;

reports to regulatory authorities and the accuracy of the information contained therein;

financial statements, and the absence of undisclosed liabilities;

broker's fees payable in connection with the merger;

legal proceedings;

tax matters; and

Community Reinvestment Act compliance.

Certain of these representations and warranties are qualified as to materiality or material adverse effect. For purposes of the Merger Agreement, a material adverse effect means, with respect to any party, a material adverse effect on (a) the financial condition, results of operations or business of such party and its Subsidiaries taken as a whole; provided, however, that, with respect to this clause (a), a material adverse effect shall not be deemed to include effects arising out of, relating to or resulting from (A) changes after the date hereof in applicable GAAP or regulatory accounting requirements, (B) changes after the date hereof in laws, rules or regulations of general applicability to companies in the industries in which such party and its Subsidiaries operate, (C) changes after the date hereof in global, national or regional political conditions or general economic or market conditions (including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets) affecting other companies in the industries in which such party and its subsidiaries operate, (D) changes after the date hereof in the credit markets, any downgrades in the credit markets, or adverse credit events resulting in deterioration in the credit markets generally and including changes to any previously correctly applied asset marks resulting therefrom, (E) a decline in the trading price of a party's common stock or a failure, in and of itself, to meet earnings projections, but not, in either case, including any underlying causes thereof, (F) the public disclosure of the Merger Agreement or the contemplated transactions or the consummation of the contemplated transactions, (G) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism or (H) actions or omissions taken with the prior written consent of the other party or expressly required by this

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Agreement except, with respect to clauses (A), (B), (C), (D) and (G), to the extent that the effects of such change are materially disproportionately adverse to the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate; or (b) the ability of such party to timely consummate the contemplated transactions.

The representations and warranties in the Merger Agreement do not survive the effective time of the merger and, as described below under Effect of Termination, if the Merger Agreement is validly terminated, there will be no liability under the representations and warranties of the parties, unless a party knowingly breached the Merger Agreement.

This summary and the copy of the Merger Agreement attached to this proxy statement/prospectus as **Appendix A** are included solely to provide investors with information regarding the terms of the Merger Agreement. They are not intended to provide factual information about the parties or any of their respective subsidiaries or affiliates. The Merger Agreement contains representations and warranties by HBI and BFHI, which were made only for purposes of that agreement and as of specific dates. The representations, warranties and covenants in the Merger Agreement were made solely for the benefit of the parties to the Merger Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those generally applicable to investors. In reviewing the representations, warranties and covenants contained in the Merger Agreement or any descriptions thereof in this summary, it is important to bear in mind that such representations, warranties and covenants or any descriptions thereof were not intended by the parties to the Merger Agreement to be characterizations of the actual state of facts or condition of HBI, BFHI or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in HBI's public disclosures. For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone and should instead be read in conjunction with the other information contained in the reports, statements and filings that HBI publicly files with the SEC. For more information regarding these documents, see the section entitled "Where You Can Find More Information" included elsewhere in this proxy statement/prospectus.

## **Conditions to the Merger**

*Conditions to Each Party's Obligations.* The respective obligations of each of HBI and BFHI to complete the merger are subject to the satisfaction of the following conditions:

receipt of BFHI shareholder approval of the Merger Agreement;

the effectiveness of the registration statement on Form S-4, of which this proxy statement/prospectus is a part, and the absence of a stop order suspending the effectiveness of the Form S-4 or any proceeding initiated or threatened by the SEC for that purpose;

the absence of any order, injunction or decree issued by any court or agency of competent jurisdiction or other law preventing or making illegal the consummation of the merger or the other transactions contemplated by the Merger Agreement; and

the receipt of all requisite regulatory approvals of governmental entities, including the necessary regulatory approvals from the Federal Reserve, the FDIC, the Arkansas State Bank Department and the Florida Office of Financial Regulation, and the expiration of all statutory waiting periods in respect thereof.

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*Conditions to Obligations of HBI.* The obligation of HBI and Centennial Bank to complete the merger is also subject to the satisfaction, or waiver by HBI, of the following conditions:

the accuracy of the representations and warranties of BFHI as of the closing date of the merger, other than, in most cases, those failures to be true and correct that (disregarding any materiality, material adverse effect and similar qualifying terms), individually or in the aggregate, would not reasonably be expected to result in a material adverse effect on BFHI, and the receipt by HBI of an officer's certificate to such effect;

performance in all material respects by BFHI of the obligations required to be performed by it at or prior to the closing date of the merger, and the receipt by HBI of an officer's certificate to such effect;

receipt by HBI of an opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., as to certain tax matters;

the exercise or termination of any outstanding BFHI stock options at or prior to the effective time;

the exercise of any outstanding BFHI stock warrants and BFHI's receipt of at least \$3,000,000 for payment on such BFHI stock warrants; however, if BFHI has not received payment of at least \$3,000,000 on or before the closing date HBI may, in its sole discretion, (i) proceed with closing and reduce the Purchase Price by an amount equal to 1.2 times the aggregate exercise price of the BFHI stock warrants for which payment was not received, or (ii) terminate the Merger Agreement. If HBI elects not to reduce the Purchase Price and BFHI demonstrates its best efforts and that the failure to meet this condition is due to circumstances beyond BFHI's control, then BFHI may satisfy this condition by substituting dollar-for-dollar cash received through the exercise of stock options resulting in an increase in BFHI equity; and

the redemption by BFHI of any outstanding preferred securities.

*Conditions to Obligations of BFHI.* The obligation of BFHI to complete the merger is also subject to the satisfaction, or waiver by BFHI, of the following conditions:

the accuracy of the representations and warranties of BFHI as of the closing date of the merger, other than, in most cases, those failures to be true and correct that (disregarding any materiality, material adverse effect and similar qualifying terms), individually or in the aggregate, would not reasonably be expected to result in a material adverse effect on HBI, and the receipt by BFHI of an officer's certificate to such effect;

performance in all material respects by HBI of the obligations required to be performed by it at or prior to the closing date of the merger, and the receipt by BFHI of an officer's certificate to such effect;

receipt by BFHI of an opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., as to certain tax matters; and

receipt by BFHI of a fairness opinion to the effect that the merger consideration to be received by BFHI shareholders is fair to such shareholders from a financial point of view.

**Termination; Termination Fee**

## Edgar Filing: HOME BANCSHARES INC - Form 424B3

The Merger Agreement may be terminated at any time prior to the effective time of the merger, whether before or after approval of the Merger Agreement by BFHI shareholders.

by mutual written consent of HBI and BFHI;

by either HBI or BFHI, if a requisite regulatory approval is denied and such denial has become final and non-appealable, or if a governmental entity has issued a final, non-appealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Merger Agreement;

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by either HBI or BFHI, if the merger has not closed by March 31, 2015 (which date can be extended to April 30, 2015, by either party if the requisite regulatory approvals have not yet been obtained), unless the failure of the closing to occur by such date is due to the failure of the party seeking to terminate the Merger Agreement to perform or observe the covenants and agreements of such party set forth in the Merger Agreement;

by either HBI or BFHI, if there is a breach by the other party of any of its covenants, agreements, representations or warranties that would, individually or in the aggregate with other breaches by such party, result in the failure of a closing condition of the other party, and such breach is not cured within 30 days following written notice to the party committing the breach, or the breach, by its nature, cannot be cured within such time (provided that the terminating party is not then in material breach of any representation, warranty, covenant, or other agreement contained in the Merger Agreement);

by either HBI or BFHI, if the BFHI shareholders have not approved the Merger Agreement and the transactions contemplated thereby at the duly convened BFHI special meeting or any adjournment or postponement thereof, provided that the failure to obtain such shareholder approval was not caused by the terminating party's material breach of any of its obligations under the Merger Agreement;

by BFHI, prior to obtaining the BFHI shareholder approval, in order to enter into a definitive agreement providing for a Superior Proposal (provided that BFHI pays HBI a termination fee in advance of or concurrently with such termination, as described below);

by HBI, if holders of five percent (5%) or more of the outstanding shares of BFHI common stock provide notice of dissent and do not vote in favor of the merger.

BFHI is required to pay HBI a termination fee of \$1,700,000 if the Merger Agreement is terminated by BFHI in order to enter into an agreement providing for a Superior Proposal or by HBI because (i) BFHI violated the no solicitation provision of the Merger Agreement, (ii) the board of directors of BFHI failed to recommend the merger; (iii) the BFHI board of directors has recommended, proposed, or publicly announced its intention to recommend or propose to engage in a transaction resulting in a Superior Proposal; or (iv) BFHI has failed to call, give notice of, convene and hold the BFHI shareholder meeting in accordance with the Merger Agreement.

### **Effect of Termination**

If the Merger Agreement is validly terminated, the Merger Agreement will become void and have no effect, and none of BFHI, HBI, any of their respective subsidiaries or any of the officers or directors of any of them will have any liability under the Merger Agreement, or in connection with the transactions contemplated by the Merger Agreement, except that (i) the provisions of the Merger Agreement relating to confidentiality obligations of the parties, the termination fees, publicity and certain other technical provisions will continue in effect notwithstanding termination of the Merger Agreement and (ii) neither BFHI nor HBI will be relieved or released from any liability or damages arising out of its knowing breach of the Merger Agreement.

### **Amendments, Extensions and Waivers**

The Merger Agreement may be amended by the parties, by action taken or authorized by their respective boards of directors, at any time before or after approval of the matters presented in connection with the merger by the shareholders of BFHI or HBI, in writing signed on behalf of each of the parties, provided that after any approval of the transactions contemplated by the Merger Agreement by the BFHI or HBI shareholders, there may not be, without further approval of such shareholders, any amendment of the Merger Agreement that requires further approval under applicable law.

At any time prior to the effective time of the merger, the parties, by action taken or authorized by their respective boards of directors, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties

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contained in the Merger Agreement or (c) waive compliance with any of the agreements or conditions contained in the Merger Agreement. Any agreement on the part of a party to any extension or waiver must be in writing signed on behalf of such party. Any such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition will not operate as a waiver of any subsequent or other failure.

**Stock Market Listing**

Application will be made by HBI to have the shares of HBI common stock to be issued in the merger approved for listing on The NASDAQ Global Select Market, which is the principal trading market for existing shares of HBI common stock. It is a condition to both parties' obligation to complete the merger that such approval is obtained, subject to official notice of issuance.

**Fees and Expenses**

Except for (i) the registration fee for the filing of the Form S-4, of which this proxy statement/prospectus is a part, and other fees paid to the SEC in connection with the merger, which will be paid by HBI, and (ii) any termination fees, as described elsewhere in this proxy statement/prospectus, all fees and expenses incurred in connection with the merger, the Merger Agreement, and the transactions contemplated by the Merger Agreement (including costs and expenses of printing and mailing this proxy statement/prospectus) will be paid by the party incurring such fees or expenses, whether or not the merger is completed.



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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

This section describes the anticipated material United States federal income tax consequences of the merger to U.S. holders of BFHI common stock who exchange shares of BFHI common stock for shares of HBI common stock and cash pursuant to the merger. This discussion does not address the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the merger (whether or not such transactions are undertaken in connection with the merger).

The following discussion is based on the Internal Revenue Code of 1986, as amended, referred to herein as the Code, its legislative history, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

For purposes of this discussion, a U.S. holder means a holder of BFHI common stock who is, for United States federal income tax purposes:

a citizen or resident of the United States;

a corporation, or an entity treated as a corporation, created or organized in or under the laws of the United States or any state or political subdivision thereof;

a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person; or

an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) holds BFHI common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding BFHI common stock, you should consult your tax advisor regarding the tax consequences of the merger.

This discussion addresses only those BFHI shareholders that hold their BFHI common stock as a capital asset within the meaning of Section 1221 of the Code, and does not address all the United States federal income tax consequences that may be relevant to particular BFHI shareholders in light of their individual circumstances or to BFHI shareholders that are subject to special rules, such as:

financial institutions;

pass-through entities or investors in pass-through entities;

insurance companies;

tax-exempt organizations;

dealers in securities;

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traders in securities that elect to use a mark to market method of accounting;

persons who exercise dissenters' rights;

persons that hold BFHI common stock as part of a straddle, hedge, constructive sale or conversion transaction;

certain expatriates or persons that have a functional currency other than the U.S. dollar;

persons who are not U.S. holders; and

shareholders who acquired their shares of BFHI common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

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In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

HBI and BFHI have structured the mergers, taken together, to qualify as a reorganization within the meaning of Section 368(a) of the Code. In connection with the filing of the registration statement of which this document is a part, HBI and BFHI have received an opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. ( MWSGW ), that, as of the date of such opinion, if certain factual circumstances exist, the mergers, taken together, will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that HBI and BFHI will each be a party to that reorganization. This tax opinion is an exhibit to this registration statement and the disclosure in this section is based upon such tax opinion. The parties will not be required to consummate the merger unless they each receive an additional opinion of MWSGW, dated the closing date of the merger, confirming that the mergers, taken together, will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that HBI and BFHI will each be a party to that reorganization. The opinion of MWSGW regarding the merger will be based on assumptions, representations, warranties and covenants, including those contained in the Merger Agreement and in tax representation letters provided by HBI and BFHI. The accuracy of such assumptions, representations and warranties, and compliance with such covenants, could affect the conclusions set forth in such opinions. None of these opinions are binding on the Internal Revenue Service or the courts. HBI and BFHI have not requested and do not intend to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger. Accordingly, each BFHI shareholder should consult its tax advisor with respect to the particular tax consequences of the merger to such holder. The remainder of this discussion assumes that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

*Tax Consequences of the Merger Generally.* On the basis of the opinions delivered in connection herewith:

no gain or loss will be recognized by HBI or BFHI as a result of the merger;

gain (but not loss), if any, will be recognized by those holders who receive shares of HBI common stock and cash in exchange for shares of BFHI common stock pursuant to the merger, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash (excluding any cash received in lieu of a fractional share) and the fair market value of the HBI common stock received pursuant to the merger over the adjusted tax basis in the BFHI common stock surrendered), and (2) the amount of cash received by such holder of BFHI common stock (excluding any cash received in lieu of a fractional share);

the aggregate tax basis in the shares of HBI common stock received by a BFHI shareholder in the merger (including any fractional share interests deemed received and sold as described below) will equal the aggregate tax basis of the BFHI common stock surrendered, decreased by the amount of cash received in the merger (excluding any cash received in lieu of a fractional share), and increased by the amount of gain, if any, recognized (excluding any gain recognized with respect to cash received in lieu of a fractional share) on the exchange (regardless of whether such gain is classified as capital gain, or as ordinary dividend income, as discussed below); and

the holding period of HBI common stock received in exchange for shares of BFHI common stock (including fractional shares of HBI common stock deemed received and redeemed as described below) will include the holding period of the BFHI common stock that is surrendered in the merger.

If a holder of BFHI common stock acquired different blocks of BFHI common stock at different times or at different prices, any gain or loss will be determined separately with respect to each block of BFHI common stock and such holder's basis and holding period in his or her shares of HBI common stock may be determined with reference to each block of BFHI common stock. Any such holders should consult their tax advisors regarding the manner in which cash and HBI common stock received in the exchange should be allocated among different blocks of BFHI common stock and with respect to identifying the bases or holding periods of the particular shares of HBI common stock received in the merger.

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*Taxation of Gains.* Gain that holders of BFHI common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such holders have held (or are treated as having held) their BFHI common stock for more than one year as of the date of the merger. Long-term capital gain of non-corporate holders of BFHI common stock is generally taxed at preferential rates. In some cases, if a holder actually or constructively owns HBI stock other than HBI stock received pursuant to the merger, the recognized gain could be treated as having the effect of a distribution of a dividend under the tests set forth in Section 302 of the Code, in which case such gain would be treated as dividend income. Because the possibility of dividend treatment depends primarily upon each holder's particular circumstances, including the application of the constructive ownership rules, holders of BFHI common stock should consult their tax advisors regarding the application of the foregoing rules to their particular circumstances.

*Cash Received Instead of a Fractional Share of HBI Common Stock.* If a BFHI shareholder receives cash instead of a fractional share of HBI common stock, he or she will be treated as having received the fractional share of HBI common stock pursuant to the applicable merger and then as having sold that fractional share of HBI common stock for cash. As a result, the BFHI shareholder will generally recognize gain or loss equal to the difference between the amount of cash received and the basis allocable to the fractional share interest as set forth above. Except as described above, this gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such shares is greater than one year. The deductibility of capital losses is subject to limitations.

*Backup Withholding and Information Reporting.* Payments of cash to a holder of BFHI common stock may, under certain circumstances, be subject to information reporting and backup withholding, unless the holder provides proof of an applicable exemption satisfactory to HBI and the exchange agent or, in the case of backup withholding, furnishes its correct taxpayer identification number and generally otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

**The discussion set forth above does not address all United States federal income tax consequences that may be relevant to holders of BFHI common stock and may not be applicable to such holders that are subject to special rules. It is not a complete analysis or discussion of all potential tax effects that may be important to you. Thus, you are strongly encouraged to consult your tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other tax laws and the effect of any proposed changes in the tax laws.**

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**DESCRIPTION OF HBI S CAPITAL STOCK**

The following is a description of the HBI common stock and certain provisions of HBI s Restated Articles of Incorporation, Bylaws and applicable law. The following is only a summary and is qualified by applicable law and by the provisions of HBI s Restated Articles of Incorporation and Bylaws, copies of which have been filed with the SEC and are also available upon request from HBI.

**General**

Under HBI s Restated Articles of Incorporation, as amended, HBI has authority to issue up to 100,000,000 shares of common stock, par value \$0.01 per share, and up to 5,500,000 shares of preferred stock, par value \$0.01 per share. Each share of HBI common stock has the same relative rights as, and is identical in all respects to, each other share of HBI common stock.

As of June 30, 2014, there were 65,142,137 shares of HBI common stock issued and outstanding, and approximately 2,500,000 shares of common stock were reserved for issuance pursuant to HBI s stock option plan. HBI common stock is listed on The NASDAQ Global Select Market under the symbol HOMB. The outstanding shares of HBI s common stock are validly issued, fully paid and non-assessable.

As of June 30, 2014, no shares of HBI preferred stock are issued and outstanding.

**Common Stock**

*Voting Rights.* Holders of HBI common stock are entitled to one vote per share on all matters submitted to a vote of shareholders. Holders of HBI common stock do not have cumulative voting rights.

*Dividend Rights.* Holders of HBI common stock are entitled to receive ratably dividends when, as, and if declared by HBI s board of directors out of funds legally available for the payment of dividends. Holders of any preferred stock HBI may issue in the future may have a priority over holders of common stock with respect to dividends. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if doing so would reduce the amount of its capital below that necessary to meet minimum regulatory capital requirements. State laws also limit a bank s ability to pay dividends. Accordingly, the dividend restrictions imposed on HBI s subsidiaries by statute or regulation effectively may limit the amount of dividends HBI can pay.

*Liquidation and Dissolution.* In the event of the liquidation, dissolution and winding up of HBI, the holders of HBI common stock are entitled to receive ratably all of the assets of HBI available for distribution after satisfaction of all liabilities of HBI, subject to the rights of the holders of any of HBI s preferred shares that may be issued from time to time.

*Other Rights.* Holders of HBI common stock have no preferential or preemptive rights with respect to any securities of HBI, and there are no conversion rights or redemption or sinking fund provisions applicable to HBI common stock.

*Restrictions on Ownership.* The Bank Holding Company Act requires any bank holding company, as defined in the Bank Holding Company Act, to obtain the approval of the Federal Reserve Board prior to the acquisition of 5% or more of HBI common stock. Any person, other than a bank holding company, is required to obtain prior approval of the Federal Reserve Board to acquire 10% or more of HBI common stock under the Change in Bank Control Act. Any holder of 25% or more of HBI common stock, or a holder of 5% or more if such holder otherwise exercises a controlling influence over HBI, is subject to regulation as a bank holding company under the Bank Holding Company Act.

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*Modification of Rights.* Rights of the holders of HBI common stock may not be modified by less than a majority vote of the common stock outstanding. Additionally, under the Arkansas Business Corporation Act of 1987, a majority vote is required for the approval of a merger or consolidation with another corporation, and for the sale of all or substantially all of HBI's assets and liquidation or dissolution of HBI.

*Transfer Agent.* The transfer agent and registrar for HBI common stock is Computershare Trust Company, N.A., P.O. Box 43078, Providence, Rhode Island 02940-3078.

For additional information concerning HBI's common stock, see [Comparison of Rights of Holders of HBI and BFHI Common Stock](#) below.

**Preferred Stock**

The 5,500,000 authorized shares of HBI preferred stock, par value \$0.01 per share, are typically referred to as "blank check" preferred stock. This term means that these shares of preferred stock may be issued with such preferences, limitations, relative rights, and terms as determined by HBI's board of directors. As such, the board of directors can, without shareholder approval, issue preferred stock with voting, dividend, liquidation and conversion rights that could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

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**COMPARISON OF RIGHTS OF HOLDERS OF HBI AND BFHI COMMON STOCK**

**General**

BFHI is incorporated under the laws of the State of Florida and the rights of BFHI shareholders are governed by the laws of the State of Florida, BFHI's Articles of Incorporation and BFHI's Bylaws, as amended. As a result of the merger, BFHI shareholders who receive shares of HBI common stock will become HBI shareholders. HBI is incorporated under the laws of the State of Arkansas and the rights of HBI shareholders are governed by the laws of the State of Arkansas, HBI's Restated Articles of Incorporation, as amended, and HBI's Bylaws. Thus, following the merger, the rights of BFHI shareholders who become HBI shareholders in the merger will no longer be governed by BFHI's Articles of Incorporation and BFHI's Bylaws, and instead will be governed by HBI's Restated Articles of Incorporation, as amended, and Bylaws.

**Comparison of Shareholders' Rights**

Set forth below is a summary comparison of material differences between the rights of HBI shareholders under the HBI Restated Articles of Incorporation, as amended, and Bylaws (right column), and the rights of BFHI shareholders under BFHI's Articles of Incorporation and Bylaws, as amended (left column). The summary set forth below is not intended to provide a comprehensive discussion of each company's governing documents. This summary is qualified in its entirety by reference to the full text of HBI's Restated Articles of Incorporation and amendments thereto, HBI's Bylaws, BFHI's Articles of Incorporation and BFHI's Bylaws.

**BFHI**

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**Removal of Directors**

BFHI's Bylaws provide that (i) a director may be removed from office, with cause, upon the affirmative vote of the holders of a majority of the issued and outstanding shares of the corporation, and (ii) a director may be removed from office, without cause, upon the affirmative vote of the holders of at least two-thirds of the issued and outstanding shares of the corporation.

HBI's Restated Bylaws provide that a director may be removed at any time, with or without cause, by the shareholders at a special meeting called expressly for that purpose.

**Vacancies on the Board of Directors**

BFHI's Bylaws provide that the BFHI directors, even though less than a quorum, may fill any vacancy that occurs on the board of directors, including a vacancy created by an increase in the number of directors.

HBI's Restated Bylaws provide that if a vacancy occurs on the board of directors by reason of death or resignation, or if the shareholders fail to fill all the vacancies on the board of directors at the annual meeting of shareholders or any meeting for the purpose of electing directors, or if by an affirmative vote of a majority of the board of directors a vacancy is declared to exist, the vacancies shall be filled by the affirmative vote of a majority of the remaining members of the board of directors. Any vacancy caused by removal of a director shall be filled by the shareholders at a shareholders meeting at which the vacancy is created or at a subsequent meeting.

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**Shareholder Proposals and Nominations**

BFHI Bylaws provide that nominations of directors may be made at any meeting of shareholders at which directors are to be elected by any shareholder entitled to vote at the meeting if the shareholder provides written notice to the Secretary of the corporation not less than 30 days prior to the date of the meeting.

BFHI has not adopted a policy or procedure to allow shareholders to bring other business before a meeting of shareholders.

HBI has adopted a policy stating that its Nominating and Corporate Governance Committee will consider a candidate properly and timely recommended for directorship by a stockholder or group of stockholders of HBI if:

The recommendation is submitted by one or more stockholders that have individually or as a group owned beneficially at least two percent of HBI's issued and outstanding common stock for at least one year, determined as of the date the recommendation is submitted; and

The recommendation is submitted to the Secretary of HBI, in writing via certified U.S. mail, not less than 120 days prior to the first anniversary of the date of the proxy statement relating to HBI's previous annual meeting.

The recommendation includes specified information about the recommending shareholder(s) and the candidate, such required information is provided in more detail in HBI's Policy Regarding Director Recommendations by Stockholders and Nominating and Corporate Governance Committee Directorship Guidelines and Selection Policy published on HBI's website at [www.homebancshares.com](http://www.homebancshares.com) under the caption Investor Relations / Corporate Profile / Governance Documents.

The recommending shareholder(s) and the candidate submit, with the recommendation, a signed statement agreeing and acknowledging that, among other things, the recommending shareholder will maintain an ownership of at least two percent of HBI's stock throughout the candidate's term as director.

Upon receipt of the recommendation, the committee will consider the qualifications of the candidate. The committee does not intend to review and/or consider candidates in a manner different than other recommendations, although the committee may prefer director candidates who are personally known to the existing directors, have the requisite experience and whose reputations are highly regarded.

In order for a proposal by a shareholder to be presented at an annual meeting of HBI's shareholders, the proposal must be included in the related proxy statement and proxy form. For a shareholder proposal





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to be included in the proxy statement and proxy form for an annual meeting of HBI's shareholders, the proposal must: (1) concern a matter that may be properly considered and acted upon at the annual meeting in accordance with applicable laws, including HBI's Bylaws and Rule 14a-8 of the Exchange Act; and (2) be received by HBI at its home office, 719 Harkrider Street, Suite 100, Conway, Arkansas 72032, Attention: Holly A. McKenna, Secretary, not less than 120 calendar days before the anniversary of the date of the previous year's proxy statement, or November 7, 2014, in the case of the Annual Meeting of Shareholders in 2015. If no annual meeting was held the previous year and in any year in which the date of the annual meeting is moved by more than 30 days from the date of the previous year's annual meeting, the proposal will be considered timely if received within a reasonable time before HBI begins to print and mail its proxy materials.

**Voting Rights in an Extraordinary Transaction**

BFHI's Articles of Incorporation provide that in any case in which applicable law requires shareholder approval of any merger or share exchange of BFHI or any sale or other disposition of all or substantially all of the assets of BFHI, approval of such actions shall require (i) the affirmative vote of two-thirds (2/3) of the directors of BFHI then in office and the affirmative vote of a majority of the issued and outstanding shares of BFHI entitled to vote; or (ii) the affirmative vote of a majority of the directors of BFHI then in office and the affirmative vote of the holders of at least two-thirds (2/3) of the issued and outstanding shares of BFHI entitled to vote. Florida law governs the number of votes required to take any other action.

Neither HBI's Restated Articles of Incorporation, as amended, nor HBI's Restated Bylaws impose heightened shareholder approval requirements for any action. Arkansas law therefore governs the number of votes required to take any action.

**Anti-Takeover Provisions and Other Shareholder Protections**

Neither BFHI's Articles of Incorporation nor BFHI's Bylaws, as amended include anti-takeover provisions or other shareholder protections in the context of a takeover or merger. BFHI has entered into contracts with certain officers and employees entitling such persons to payments upon a merger or other takeover event, if such person's employment is terminated as described in more detail in such contracts.

Neither HBI's Restated Articles of Incorporation, as amended, nor HBI's Restated Bylaws include anti-takeover provisions or other shareholder protections in the context of a takeover or merger.

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**Indemnification of Directors and Officers**

BFHI's Bylaws provide that BFHI shall indemnify any person who was or is a party to any proceeding (other than an action by, or in the right of, BFHI), by reason of the fact that he is or was a director or officer of BFHI or is or was serving at the request of BFHI as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise against liability incurred in connection with such proceeding, including any appeal thereof, if he acted in a manner he believed to be in, or not opposed to, the best interests of BFHI and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. To the extent such person is successful on the merits, BFHI will indemnify such person against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the proceeding to conclusion.

The rights of indemnification provided in the Bylaws are not exclusive of any other rights which may be available under any insurance or other agreement, by vote of shareholders or directors or otherwise. In addition, the Bylaws authorize BFHI to maintain insurance on behalf of any person who is or was a director, officer, employee or agent of BFHI, whether or not BFHI would have the power to provide indemnification to such person.

In HBI's Restated Articles of Incorporation, as amended, and Restated Bylaws, every person who was or is a party to, or is involved in, any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer of HBI (or is or was serving at the request of HBI as a director or officer of another entity) shall be indemnified and held harmless to the fullest extent legally permissible under and pursuant to any procedure specified in the Arkansas Business Corporation Act of 1987 ( ABCA ), against all expenses, liabilities and losses reasonably incurred or suffered by him in connection therewith.

The rights of indemnification provided in the Restated Articles of Incorporation are not exclusive of any rights which may be available under any agreement, vote of stockholders, provision of law or otherwise. In addition, the Articles of Incorporation authorize HBI to maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of HBI, whether or not HBI would have the power to provide indemnification to such person.

**Shareholder Action by Written Consent**

Shareholder action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if one or more written consents, setting for the action so taken, shall be signed by the holders of all shares entitled to vote thereon.

Shareholder action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if one or more written consents, setting forth the action so taken, shall be signed by the holders of all shares entitled to vote thereon.

**Special Meetings**

Special meetings of the shareholders may be called at any time by the president, the board of directors or by the corporation upon the written request of any one or more shareholders owning an aggregate of not less than twenty-five percent (25%) of the outstanding capital stock of the corporation.

Special meetings of the shareholders may be called at any time by the president, resolution of the board of directors, or by the holders of not less than ten percent (10%) of all votes entitled to be cast on any issue proposed to be considered at the proposed special meeting.

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Florida law provides a shareholder the right to inspect during regular business hours (1) the articles of incorporation and bylaws and all amendments thereto that are in effect, (2) board resolutions creating any classes or series of shares and fixing their relative rights, (3) shareholder meeting minutes and records for the past three years, (4) written communications to all shareholders, including financial statements furnished, for the past three years, (5) the names and business street addresses of the current directors and officers, and (6) its most recent annual report delivered to the Florida Department of State. The shareholder is entitled to these records if it gives the corporation written notice of his or her demand at least five business days before the date on which he or she wishes to inspect and copy the records. A shareholder also is entitled to inspect upon five business days prior notice any of the following records if the shareholder's demand is made in good faith and for a proper purpose, the shareholder describes with reasonable particularity the purpose and records desired to inspect, the records are directly connected with the shareholder's purpose, and the records are to be used only for the state purpose: (1) excerpts of minutes of any meeting of the board of directors, records of any action of a committee of the board of directors, minutes of any meeting of the shareholders, and records of action taken by the shareholders or directors without a meeting, (2) accounting records, (3) the record of shareholders, and (4) any other books and records.

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Arkansas law provides a shareholder and his, her, or its agent or attorney with a right to inspect (beginning two (2) business days after notice of a meeting is given) and copy the corporation's shareholder list.

Arkansas law also permits any shareholder, on at least five (5) business days advance written demand to the corporation, to inspect (1) the articles of incorporation and bylaws of the corporation and all amendments thereto that are in effect, (2) board resolutions of the corporation relating to the creation of fixing the rights, preferences and limitations of any class of shares that are still outstanding, (3) minutes of shareholder meetings, records of actions taken by shareholders without a meeting and all written communications to shareholders, including financial statements furnished to shareholders, for the past three (3) years, (4) the name and business addresses of the current directors and officers, and (5) the most recent annual franchise tax report delivered to the Arkansas Secretary of State. In addition, a shareholder satisfying specified conditions is entitled to inspect (a) excerpts of minutes of any meeting of the board of directors and records of any actions of any committee of the board of directors and of actions taken by the board of directors without a meeting, (b) accounting records, (c) the record of shareholders, and (d) the shareholder list as described above, in each case if the demand is made in good faith and for a proper purpose, describes the purpose of the inspection and the desired records with reasonable particularity, and the desired records are directly connected to the purpose of such inspection.

**Amendments to Articles of Incorporation and Bylaws**

Under Florida law, an amendment to the articles of incorporation generally is approved if a majority of the votes representing the quorum approves it; provided, however, the Articles of Incorporation of BFHI state that to amend (1) the heightened shareholder approval required for mergers, share exchanges and dispositions of assets, (2) the division of the board of directors into three classes for election, and (3) the factors the board of directors may evaluate consider in any offer for a merger, share exchange or disposition of assets, at least two-thirds (2/3) of the directors or the holders of at least two-thirds (2/3) of the issued and outstanding shares must approve the amendment.

Under Arkansas law, an amendment to the articles of incorporation generally is approved if a majority of the votes representing the quorum approves it. Pursuant to HBI's Restated Bylaws, a quorum at any meeting of the shareholders of HBI consists of a majority of the votes entitled to be cast on the matter, represented in person or by proxy at such meeting.

An amendment to the Restated Bylaws may be adopted, amended or repealed at any meeting of the board of directors.

Notwithstanding the foregoing, under Arkansas law, a majority of a class of stock must approve any amendment that adversely affects their particular class as further described in Ark. Code Ann. §4-27-1004.

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The bylaws of the corporation may be altered or amended and new bylaws may be adopted by the shareholders at any annual or special meeting of the shareholders or by the board of directors at any regular or special meeting of the board of directors; provided that if such action is to be taken at a meeting of the shareholders, notice of the general nature of the proposed change in the bylaws shall be given in the notice of the meeting. Action by the shareholders with respect to the Bylaws shall be taken by an affirmative vote of a majority of all shares entitled to elect directors, and action by the board of directors with respect to the Bylaws shall be taken by an affirmative vote of a majority of all directors then holding office.

The shareholders may provide by resolution that any bylaw provision repealed, amended, adopted, or altered by them may not be repealed, amended, adopted or altered by the board of directors.

**Dividends**

Under Florida law, a corporation may not make any distribution to its shareholders if, after giving effect to the distribution (1) the corporation would not be able to pay its debts as they have become due in the usual course of the business or (2) the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

Approval of the Florida Office of Financial Regulations is required before a Florida bank can declare and pay any dividend where its net income from the current year combined with the retained net income from the preceding two years is a loss or which would cause the capital accounts of the bank to fall below the minimum amount required by law, regulation, order or any written agreement with the Florida Office or a state or federal regulatory agency.

Under Arkansas law, a corporation may not make any distribution to its shareholders if, after giving effect to the distribution (1) the corporation would not be able to pay its debts as they become due in the usual course of business or (2) the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. The ability of HBI to pay dividends to its shareholders is directly influenced by the ability of Centennial Bank to pay dividends to HBI, as its sole shareholder.

Approval of the Arkansas State Bank Commissioner is required before Centennial Bank can declare and pay any dividend of 75% or more of its net profits after all taxes for the current year plus 75% of the retained net profits for the immediately preceding year.

In addition, the Federal Reserve further limits the ability to pay dividends if the total of all dividends declared in any calendar year by the bank exceeds the bank's net profits to date for that year combined with its retained net profits for the preceding two years.

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**Appraisal Rights**

Neither BFHI's Articles of Incorporation nor BFHI's Bylaws, as amended, address appraisal rights. Florida law therefore governs when a shareholder is entitled to dissent, the process for dissenting and the amount of the payment.

Neither HBI's Restated Articles of Incorporation, as amended, nor HBI's Bylaws address dissenters' rights. Arkansas law therefore governs when a shareholder is entitled to dissent, the process for dissenting and the amount of the payment.

Pursuant to Florida Statutes Annotated § 607.1302, the BFHI shareholders have appraisal rights because BFHI shares are being acquired.

The HBI shareholders do not have dissenters' rights for this transaction under Arkansas law.

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**CERTAIN INFORMATION CONCERNING HBI**

**General**

HBI is a Conway, Arkansas headquartered bank holding company registered under the federal Bank Holding Company Act of 1956. HBI's common stock is traded through The NASDAQ Global Select Market under the symbol HOMB. HBI is primarily engaged in providing a broad range of commercial and retail banking and related financial services to businesses, real estate developers and investors, individuals and municipalities through its wholly owned community bank subsidiary Centennial Bank. Centennial Bank has locations in Arkansas, Florida and South Alabama.

Financial and other information relating to HBI is set forth in its Annual Report on Form 10-K for the year ended December 31, 2013, and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014. Information regarding the names, ages, positions, and business backgrounds of the executive officers and directors of HBI, as well as additional information, including executive compensation, and certain relationships and related person transactions, is set forth in or incorporated by reference in HBI's 10-K and in its proxy statement for its 2014 annual meeting of shareholders. See Documents Incorporated by Reference.

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**BFHI SPECIAL MEETING OF SHAREHOLDERS**

**General**

BFHI's board of directors is using this proxy statement/prospectus to solicit proxies from the holders of shares of BFHI common stock for use at the BFHI special meeting.

Together with this proxy statement/prospectus, BFHI is also sending you a notice of the special meeting and a form of proxy that is solicited by BFHI's board of directors. The BFHI special meeting will be held at the Fort Lauderdale Women's Club, 20 South Andrews Avenue, Fort Lauderdale, Florida at 4:00 p.m. Eastern Time on October 2, 2014. On September 3, 2014, BFHI commenced mailing this proxy statement/prospectus and the enclosed form of proxy to its shareholders entitled to vote at the BFHI special meeting.

**Purpose of BFHI Special Meeting**

At the BFHI special meeting, BFHI shareholders will be asked to:

approve the Merger Agreement, a copy of which is attached as **Appendix A** to this proxy statement/prospectus, which is referred to as the Merger Proposal; and

approve one or more adjournments of the BFHI special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the Merger Proposal, which is referred to as the Adjournment Proposal.

**Recommendation of BFHI's Board of Directors**

BFHI's board of directors recommends that you vote **FOR** the Merger Proposal and **FOR** the Adjournment Proposal. See The Merger Recommendation of BFHI's board of Directors and Reasons for the Merger on page 41.

**BFHI Record Date and Quorum**

BFHI's board of directors has fixed the close of business on August 29, 2014 as the record date for determining the holders of BFHI stock entitled to receive notice of and to vote at the BFHI special meeting.

As of the BFHI record date, there were 1,649,512 shares of BFHI common stock outstanding and entitled to vote at the BFHI special meeting held by 115 holders of record. Each share of BFHI common stock entitles the holder to one vote at the BFHI special meeting on each proposal to be considered at the BFHI special meeting.

The representation (in person or by proxy) of holders of at least a majority of the votes entitled to be cast on each of the matters to be voted on at the BFHI special meeting constitutes a quorum for action on that matter at the BFHI special meeting. All shares of BFHI common stock present in person or represented by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the BFHI special meeting.

**Required Vote; Effects of Abstention or Failure to Vote**

***Required Vote to Approve the Merger Proposal***

Approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of BFHI, provided that a quorum is present at the BFHI special meeting. Therefore, assuming that a quorum is present, your failure to vote, an abstention or a broker non-vote will have the effect of a vote **AGAINST** the Merger Proposal.

BFHI's directors and certain officers entered into voting agreements with HBI pursuant to which they agreed to vote approximately 648,550 total shares in favor of the merger. These shares represent approximately 39.32% of the BFHI common stock entitled to vote at the BFHI special meeting (excluding any shares issued upon exercise of BFHI warrants or options).





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### ***Required Vote to Approve the Adjournment Proposal***

Approval of the Adjournment Proposal requires the affirmative vote of at least a majority of the shares of BFHI voting on the proposal. Therefore, your failure to vote, an abstention or a broker non-vote will have no effect on the approval of the Adjournment Proposal.

### **Voting on Proxies; Incomplete Proxies**

Giving a proxy means that a BFHI shareholder authorizes the persons named in the enclosed proxy card to vote its shares at the BFHI special meeting in the manner it directs. A BFHI shareholder may vote by proxy or in person at the BFHI special meeting. If you hold your shares of the BFHI common stock in your name as a shareholder of record, to submit a proxy, you, as a BFHI shareholder, may vote by completing and signing the accompanying proxy and returning it to BFHI as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the shares of BFHI stock represented by it will be voted at the BFHI special meeting in accordance with the instructions contained on the proxy card.

If any proxy is returned without indication as to how to vote, the shares of BFHI common stock represented by the proxy will be voted as recommended by BFHI's board of directors. Unless a BFHI shareholder checks the box on its proxy card to withhold discretionary authority, the proxy holders may use their discretion to vote on other matters relating to the BFHI special meeting.

If your shares are held in a street name, you should follow the instructions you receive from your broker in order to direct your broker how to vote, and you should also follow the instructions of your broker regarding revocation of proxies.

Every BFHI shareholder's vote is important. Accordingly, each BFHI shareholder should sign, date and return the enclosed proxy card, whether or not the BFHI shareholder plans to attend the BFHI special meeting in person.

### **Revocability of Proxies and Changes to a BFHI Shareholder's Vote**

A BFHI shareholder has the power to change its vote at any time before its shares of BFHI common stock are voted at the BFHI special meeting by:

sending a notice of revocation to BFHI's corporate secretary at 101 Northeast 3rd Avenue, Fort Lauderdale, Florida 33301 stating that you would like to revoke your proxy;

sending a completed proxy card bearing a later date than your original proxy card; or

attending the BFHI special meeting and voting in person if your shares of BFHI common stock are registered in your name rather than in the name of a broker, bank or other nominee, and you so request, although attendance at the special meeting will not by itself revoke a previously granted proxy.

If you choose the first method, you must take the described action no later than the beginning of the BFHI special meeting. If you choose to send a completed proxy card bearing a later date than your original proxy card, the new proxy card must be received before the beginning of the BFHI special meeting. If you have instructed a bank, broker or other nominee to vote your shares of BFHI common stock, you must follow the directions you receive from your bank, broker or other nominee in order to change or revoke your vote.

### **Solicitation of Proxies**

The cost of solicitation of proxies will be borne by BFHI. BFHI will reimburse brokerage firms and other custodians, nominees and fiduciaries of reasonable expenses incurred by them in sending proxy materials to the beneficial owners of common stock. In addition to solicitations by mail, directors, officers and regular employees of BFHI may solicit proxies personally by telephone without additional compensation.



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**Attending the BFHI Special Meeting**

Subject to space availability, all BFHI shareholders as of the record date, or their duly appointed proxies, may attend the BFHI special meeting. Since seating is limited, admission to the BFHI special meeting will be on a first-come, first-served basis. Registration and seating will begin at 3:30 p.m., Eastern Time.

If you hold your shares of BFHI common stock in your name as a shareholder of record and you wish to attend the BFHI special meeting, please bring your proxy and valid picture identification to the BFHI special meeting.

If your shares of BFHI common stock are held in street name in a stock brokerage account or by a bank or nominee and you wish to attend the BFHI special meeting, you need to bring a copy of a bank or brokerage statement to the BFHI special meeting reflecting your stock ownership as of the record date, along with a legal proxy, executed in your favor, from the broker, bank or other nominee that is the holder of record of your shares. You should also bring valid picture identification.

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**BFHI PROPOSALS**

**Merger Proposal**

As discussed throughout this proxy statement/prospectus, BFHI is asking its shareholders to approve the Merger Proposal. Holders of BFHI common stock should read carefully this proxy statement/prospectus in its entirety, including the appendices, for more detailed information concerning the Merger Agreement and the merger. In particular, holders of BFHI common stock are directed to the Merger Agreement, a copy of which is attached as **Appendix A** to this proxy statement/prospectus.

BFHI's board of directors recommends a vote **FOR** the Merger Proposal.

**Adjournment Proposal**

The BFHI special meeting may be adjourned to another time or place, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the BFHI special meeting to approve the Merger Proposal.

If, at the BFHI special meeting, the number of shares of BFHI common stock present or represented and voting in favor of the Merger Proposal is insufficient to approve the Merger Proposal, BFHI intends to move to adjourn the BFHI special meeting in order to enable BFHI's board of directors to solicit additional proxies for approval of the Merger Agreement. In that event, BFHI will ask its shareholders to vote only upon the Adjournment Proposal, and not the Merger Proposal.

In this proposal, BFHI is asking its shareholders to authorize the holder of any proxy solicited by BFHI's board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the BFHI special meeting to another time and place for the purpose of soliciting additional proxies. If the BFHI shareholders approve the Adjournment Proposal, BFHI could adjourn the BFHI special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from BFHI shareholders who have previously voted.

BFHI's board of directors recommends a vote **FOR** the Adjournment Proposal.

**Other Matters To Come Before the BFHI Special Meeting**

No other matters are intended to be brought before the BFHI special meeting by BFHI, and BFHI does not know of any matters to be brought before the BFHI special meeting by others. If, however, any other matters properly come before the BFHI special meeting, the persons named in the proxy will vote the shares represented thereby in accordance with the judgment of management on any such matter.

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**CERTAIN INFORMATION CONCERNING BFHI**

**General**

Broward Bank is a wholly owned subsidiary of BFHI and is a Florida-charted non-member state bank which commenced operations in 2009. Broward Bank is a full service commercial bank, providing a wide range of business and consumer financial services, in its target marketplace, which is comprised primarily of Southeast Florida. Broward Bank and BFHI are headquartered in Fort Lauderdale, Florida.

**Business**

Historically, Broward Bank's market areas have been served both by large banks headquartered out of state as well as a number of community banks offering a higher level of personal attention, recognition and service. The large banks have generally applied a transactional business approach, based upon volume considerations, to the market while community banks have traditionally offered a more service relationship approach. Recent mergers and acquisitions have created an opportunity for Broward Bank.

Broward Bank provides a range of consumer and commercial banking services to individuals, businesses and industries. The basic services offered by Broward Bank include: demand interest bearing and noninterest bearing accounts, money market deposit accounts, NOW accounts, time deposits, safe deposit services, debit cards, direct deposits, notary services, money orders, night depository, travelers checks, cashier's checks, domestic collections, savings bonds, bank drafts, automated teller services, banking by mail and the full range of consumer loans, both collateralized and uncollateralized. In addition, Broward Bank makes secured and unsecured commercial and real estate loans and issues stand-by letters of credit. Broward Bank provides automated teller machine (ATM) cards and is a member of the Plus Pulse and Presto ATM networks thereby permitting customers to utilize the convenience of these member machines both nationwide and internationally.

Broward Bank's target market is consumers, professionals, small businesses, developers and commercial real estate investors. The small business customer (typically a commercial entity with sales of \$10 million or less) has the opportunity to generate significant revenue for Broward Bank yet is generally underserved by large bank competitors. These customers generally can afford Broward Bank more profitability opportunities than the average retail customer.

Broward Bank has actively pursued its targeted markets for deposits, particularly the small businesses and professionals. In today's environment, the product of every system itself becomes a sales tool. Recognizing that fact, Broward Bank endeavors to offer leading edge technology to the marketplace. Such technology includes debit cards, internet, and mobile account information systems. The goal is to provide a high tech high touch experience.

The revenues of Broward Bank are primarily derived from interest and fees received in connection with real estate and other loans, from interest and dividends from investment securities, service charge income generated from demand accounts, gains on sale of loans, and through other ancillary services. The principal sources of funds for Broward Bank's lending activities are its deposits, loan repayments, and proceeds from investment securities. The principal expenses of Broward Bank are the interest paid on deposits and operating and general administrative expenses.

As is generally the case with banking institutions, Broward Bank's operations are materially and significantly influenced by general economic conditions and by related monetary and fiscal policies of financial institution regulatory agencies, including the Federal Reserve and the FDIC. Deposit flows and costs of funds are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn is affected by the interest rates at which such financing may be offered and other factors affecting local demand and availability of funds. Broward Bank faces strong competition in the attraction of deposits (the primary source of lendable funds) and in the origination of loans. *See* Competition.

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### **Business Strategy**

Broward Bank's business strategy is to operate as a diversified financial services company providing a variety of banking services, with an emphasis on commercial business loans to small and medium-sized businesses and consumer and residential mortgage lending. Broward Bank emphasizes comprehensive retail and business products and responsive, centralized decision-making which reflects Broward Bank's knowledge of its local markets and customers. Broward Bank offers a wide range of commercial and retail banking and financial services.

To continue asset growth and profitability, Broward Bank's marketing strategy is targeted to:

Capitalize on its personal relationship approach that it believes differentiates Broward Bank from its larger competitors;

Provide customers with access to its local executives who make key credit and other decisions;

Pursue commercial lending opportunities with small to mid-sized businesses that are underserved by its larger competitors; and

Cross-sell Broward Bank's products and services to existing customers to leverage its relationships and enhance profitability.

### **Banking Services**

*Commercial Banking.* Broward Bank focuses its commercial loan originations on small and mid-sized business (generally up to \$10 million in annual sales) and such loans are usually accompanied by significant related deposits. Commercial underwriting is driven by cash flow analysis supported by collateral analysis and review. Commercial loan products include commercial real estate construction and term loans; working capital loans and lines of credit; demand, term and time loans; and equipment, inventory and accounts receivable financing. Broward Bank offers a range of cash management services and deposit products to commercial customers. On-line and mobile banking is currently available to commercial customers.

*Retail Banking.* Broward Bank's retail banking activities emphasize consumer deposit and checking accounts. An extensive range of these services is offered by Broward Bank to meet the varied needs of its customers from young persons to senior citizens. In addition to traditional products and services, Broward Bank offers contemporary products and services, such as debit cards, mobile banking, internet banking and electronic bill payment services. Consumer loan products offered by Broward Bank include home equity lines of credit, second mortgages, new and used auto loans, new and used boat loans, and unsecured personal credit lines.

### **Liquidity**

Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw their funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. In the ordinary course of business, Broward Bank's cash flow is generated from interest and fee income, as well as from loan repayments and the sale or maturity of investments available-for-sale. In addition to cash and due from banks, Broward Bank considers all securities available-for-sale and as primary sources of asset liquidity. Many factors affect the ability to accomplish these liquidity objectives successfully, including the economic environment, the asset/liability mix within the balance sheet, as well as Broward Bank's reputation in the community. Broward Bank's principal sources of funds are net increases in deposits, principal and interest payments on loans and proceeds from sales and maturities of investments. Broward Bank uses its capital resources primarily to fund existing and continuing loan commitments and to purchase investment securities. At June 30, 2014, Broward Bank had commitments to originate loans totaling \$21.8 million, and had issued standby letters of credit of \$219,000. Scheduled maturities of certificates of deposit during the twelve months following June 30, 2014, total \$23.6 million. Management believes that Broward Bank

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has adequate resources to fund all its commitments and that substantially all existing commitments will be funded in the subsequent twelve months and, if so desired, that it can adjust the rates on certificates of deposit and other deposit accounts to retain deposits in a changing interest rate environment.

**Capital Resources**

BFHI's shareholders' equity was \$20.2 million at June 30, 2014 and \$19.1 million at December 31, 2013, inclusive of \$3.1 million preferred stock. The net increase in shareholders' equity during the six months ended June 30, 2014 consisted of net earnings of \$846,000 and \$298,000 decrease in the net unrealized loss on securities available-for-sale (from an approximate net unrealized loss of \$391,000 at December 31, 2013 to an approximate net unrealized loss of \$93,000 at June 30, 2014). BFHI's total shareholders' equity was \$19.1 million and \$18.8 million as of December 31, 2013 and 2012, respectively, or an increase of \$303,000. BFHI's total shareholders' equity was 12.0%, 12.0% and 13.2% of total assets as of June 30, 2014, December 31, 2013 and 2012, respectively.

The federal banking regulatory authorities have adopted certain prompt corrective action rules with respect to depository institutions. The rules establish five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. The various federal banking regulatory agencies have adopted regulations to implement the capital rules by, among other things, defining the relevant capital measures for the five capital categories. An institution is deemed to be well capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or greater and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level. At June 30, 2014, Broward Bank met the capital ratios of a Well capitalized financial institution with a total risk-based capital ratio of 16.70%, a Tier 1 risk-based capital ratio of 15.45%, and a Tier 1 leverage ratio of 11.24%. Depository institutions which fall below the adequately capitalized category generally are prohibited from making any capital distribution, are subject to growth limitations, and are required to submit a capital restoration plan. There are a number of requirements and restrictions that may be imposed on institutions treated as significantly undercapitalized and, if the institution is critically undercapitalized, the banking regulatory agencies have the right to appoint a receiver or conservator.

The following sets forth Broward Bank's capital ratios as of the dates indicated:

	<b>Capital Ratios</b>	<b>Regulatory Requirement Well-Capitalized</b>
<b>At June 30, 2014 (unaudited)</b>		
Total capital to risk-weighted assets	16.70%	10.0%
Tier I capital to risk-weighted assets	15.45%	6.0%
Tier I capital to total assets leverage ratio	11.24%	5.0%
<b>At December 31, 2013:</b>		
Total capital to risk-weighted assets	17.16%	10.0%
Tier I capital to risk-weighted assets	15.90%	6.0%
Tier I capital to total assets leverage ratio	11.94%	5.0%
<b>At December 31, 2012:</b>		
Total capital to risk-weighted assets	17.50%	10.0%
Tier I capital to risk-weighted assets	16.30%	6.0%
Tier I capital to total assets leverage ratio	13.30%	5.0%

**Lending Services**

*Loan Portfolio Composition.* At June 30, 2014, Broward Bank's loan portfolio totaled \$111.1 million, representing approximately 65.8% of its total assets of \$168.7 million.



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The composition of Broward Bank's loan portfolio at June 30, 2014, and December 31, 2013 and 2012 is indicated below.

	<b>At June 30, 2014 (unaudited)</b>	<b>At December 31,</b>	
		<b>2013</b>	<b>2012</b>
<b>(dollars in thousands)</b>			
Residential real estate	\$ 24,945	\$ 20,822	\$ 19,621
Commercial real estate	53,972	48,238	47,173
Commercial	20,050	28,777	26,750
Construction	9,676	5,147	1,825
Consumer and other	2,427	2,279	2,959
Total loans	111,070	105,263	98,328
Net deferred fees	(436)	(398)	(372)
Unearned discount	214	155	94
Allowance for loan losses	(1,815)	(1,878)	(1,451)

Loans, net