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INTER-OFFICE
COMMUNICATION

COMPTROLLER OF FLORIDA
DIVISION OF BANKING

DATE: October 23, 1997

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-10/27/97--01128--004

****227.50 ****227.50

TO: Karon Beyer and Louise Flemming-Jackson
Department of State - Division of Corporations

FROM: Bruce Ricca, Licensing and Chartering *BR*

SUBJ: Merger of First State Bank of the Florida Keys with
and into Keys Bank Interim Bank, and under the title
of "First State Bank of the Florida Keys"

Please file the attached "Agreement and Plan of Reorganization" for the
above-referenced institutions, using OCTOBER 24, 1997, as the
effective date.

Please make the following distribution of certified copies:

- (1) One copy to: Division of Banking
Office of Licensing and Chartering
Fletcher Building, Suite 636
- (2) One copy to: Federal Deposit Insurance Corporation
One Atlantic Center, Suite 1600
1201 West Peachtree Street, N.E.
Atlanta, Georgia 30309-3449
- (3) One copy to: Mr. Daniel E. Lee, Jr.
First State Bank of the Florida Keys
1201 Simonton Street
Key West, Florida 33040

SECRETARY OF STATE
TALLAHASSEE, FLORIDA

97 OCT 24 AM 11:50

FILED

Also attached is a check which represents payment of the filing fees,
charter tax and certified copies. If you have any questions, please
call 414-8066.

BR:a:mergeart

Attachments

cc: Bureau of Financial Institutions - District II

merge / new merge

FILING	<u>70.00</u>
R. AGENT	
CERT. COPY	<u>157.50</u>
CUS	
OVERPAYMENT	
TOTAL	<u>227.50</u>

LFF
10-24-97

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ARTICLES OF MERGER
Merger Sheet

MERGING:

FIRST STATE BANK OF THE FLORIDA KEYS, a Florida corporation (Document
#182734)

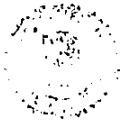
INTO

KEYS BANK INTERIM BANK which changed its name to

FIRST STATE BANK OF THE FLORIDA KEYS, a Florida corporation,
P97000091535

File date: October 24, 1997

Corporate Specialist: Louise Flemming-Jackson



OFFICE OF COMPTROLLER

DEPARTMENT OF BANKING AND FINANCE

STATE OF FLORIDA

TALLAHASSEE
32399-0350

FILED

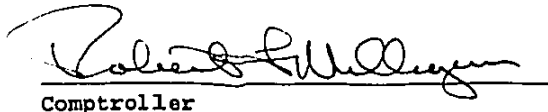
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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ROBERT F. MILLIGAN
COMPTROLLER OF FLORIDA

Having given my approval on September 10, 1997, to merge First State Bank of the Florida Keys, Key West, Monroe County, Florida, with and into Keys Bank Interim Bank, Key West, Monroe County, Florida, and with the resulting title of First State Bank of the Florida Keys, and being satisfied that the conditions of my approval have been met, I hereby approve for filing with the Department of State, the attached "Agreement and Plan of Reorganization", which contains the Articles of Incorporation of First State Bank of the Florida Keys (the resulting bank), so that effective on October 24TH, 1997, they shall read as stated herein.

Signed on this 8TH day of
October, 1997.


Comptroller



OFFICE OF COMPTROLLER

DEPARTMENT OF BANKING AND FINANCE

STATE OF FLORIDA

TALLAHASSEE
32399-0350

ROBERT F. MILLIGAN
COMPTROLLER OF FLORIDA

CERTIFICATE OF MERGER

WHEREAS, Section 658.41, Florida Statutes, provides for the merger of banks, and

WHEREAS, Keys Bank Interim Bank has been organized as a successor institution as prescribed by Section 658.40(4), Florida Statutes; and

WHEREAS, I am satisfied that the terms of the Agreement and Plan of Reorganization between the banks described below comply with Section 658.43(3), Florida Statutes, and that the other regulatory conditions of the department have been met,

NOW, THEREFORE, I, ROBERT F. MILLIGAN, as Comptroller of Florida and head of the Department of Banking and Finance, do hereby issue this Certificate authorizing the consummation of merger of the following constituent banks:

Keys Bank Interim Bank
Key West, Monroe County, Florida

Charter #1040

First State Bank of the Florida Keys
Key West, Monroe County, Florida

Charter #465

under the charter of: Keys Bank Interim Bank

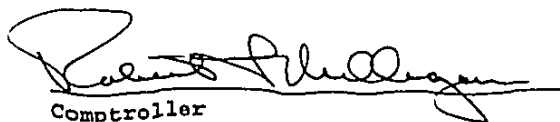
under the title of: First State Bank of the Florida Keys

under State Charter No: 1040

AND, I further authorize First State Bank of the Florida Keys to continue the transaction of a general banking business with a main office located at 1201 Simonton Street, Key West, Monroe County, Florida, and with branch offices as authorized by law. On the effective date of merger, October 24TH, 1997, the charter of the constituent institution, other than the resulting bank shall be deemed surrendered and the resulting bank shall be considered the same business and corporate entity as each constituent bank, with all of the rights, powers, and duties of each constituent institution, except as limited by the charter and by-laws of the resulting State bank. All constituent institutions, other than the resulting bank, are deemed to be branches of the resulting bank.



Signed and Sealed this 8TH
day of October, 1997.


Comptroller

SPECIAL MEETING OF THE SHAREHOLDERS

A special meeting (the "Meeting") of the shareholders was held at the main branch at 1201 Simonton St. on September 3, 1997 pursuant to a Notice of Meeting duly given. The Board members present were:

Mr. John M. Spottswood, Jr., Chairman
Mr. Joseph B. Allen
Mr. Greg D. Artman
Dr. Frank V. Bervaldi
Mr. Gary Blum
Mr. William O. Kemp
Mr. Robert A. Spottswood
Mr. Norman B. Wood, Sr.
Mr. Daniel E. Lee, Jr., President & CEO

Also present were:

Mr. Stuart Ames, Bank Counsel
Mr. Diego Caso, Sr. Vice President & Cashier
Ms. Susan Czekaj, Assistant Vice President & Sr. Accounting Officer
Mr. Randy Moore, Internal Auditor
Mrs. Karen Sharp, Sr. Vice President & Chief Financial Officer

Chairman Spottswood presented proof of the Notice of Meeting and the list of the shareholders of the Bank of record as of the close of business on August 1, 1997, which was the record date fixed for the Meeting by the Board of Directors of the Company for the determination of shareholders entitled to notice of and to vote at the Meeting, which indicated that the Notice was valid and in proper form and that the shareholders of the Company had received legal notice of the Meeting.

Chairman Spottswood appointed Mrs. Karen Sharp, Chief Financial Officer and Ms. Susan Czekaj, Senior Accounting Officer as Inspectors of Election to perform duties as Inspectors of Election for the Meeting.

Chairman Spottswood requested the Inspectors to determine if there was a quorum. Mrs. Sharp responded that 34,100 shares were present either in person or by proxy constituting approximately 94% of the total issued and outstanding common stock on the record date, which constituted a quorum as defined in the Bylaws of the Bank. Chairman Spottswood declared that the meeting was legally constituted for the transaction of business.

Chairman Spottswood asked if there were any questions about the proxy and materials mailed on August 6, 1997 to shareholders of record August 1, 1997 with respect to the following resolution:

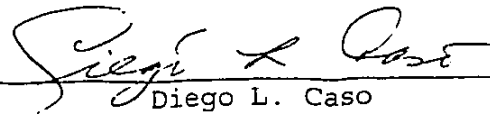
CERTIFICATE

The undersigned, in his capacity as Secretary of First State Bank of the Florida Keys, a Florida banking corporation (the "Bank"), hereby certifies on behalf of the Bank, that:

1. Attached hereto is a true and correct copy of the minutes of a special meeting of the shareholders of the Bank duly called and held on September 3, 1997 approving that certain Agreement and Plan of Reorganization, dated as of the 21st day of July 1997, by and between the Bank and Keys Bank Interim Bank, a Florida interim banking corporation. None of the resolutions contained therein have been amended, modified or repealed and each such resolution is now in full force and effect.

IN WITNESS WHEREOF, the undersigned, in his capacity as Secretary of the Bank, has executed this Certificate on behalf of the Bank as of this 18th day of September, 1997.

FIRST STATE BANK OF THE FLORIDA KEYS

By: 
Diego L. Caso
Secretary

RESOLVED, that the Agreement and Plan of Reorganization dated July 21, 1997 between the Bank and Keys Bank Interim Bank ("Interim"), pursuant to which, among other things, (i) the Bank will be merged (the "Merger") with and into Interim, (ii) the resulting bank of the Merger (the "Resulting Bank") will change its name to "First State Bank of the Florida Keys" and (iii) each share of Common Stock, par value \$20.00 per share, of the Bank will be converted into the right to receive 1/50th of a share of the Common Stock, par value \$20.00 per share, of the Resulting Bank, be and the same hereby is in all respects approved.

There were none.

Chairman Spottswood asked if anyone needed a ballot or if anyone needed to change their vote. There were no responses. Accordingly, Chairman Spottswood stated that all persons desiring to vote having done so, the polls were now closed and that while the Inspectors of Election were tabulating the votes he would take any questions which the shareholders may have.

A Shareholder asked if anything would preclude the Bank from going forward with the reorganization. Mr. Ames said that it was up to the state and federal regulators as to how quickly the Bank could go forward.

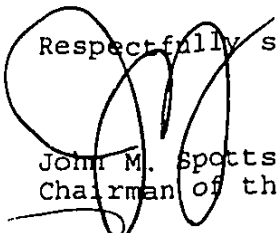
Chairman Spottswood asked the Inspectors of Election if the ballots had been counted. Mrs. Sharp reported that 33,717 shares were voted in favor of the resolution, representing approximately 98.88% of those voting and approximately 93.10% of all outstanding shares. Chairman Spottswood stated that the report of the Inspectors of Election will be filed with the records of the meeting.

Chairman Spottswood said that the resolution had passed and that the Agreement and Plan of Reorganization had been adopted and approved by the shareholders of the Bank.

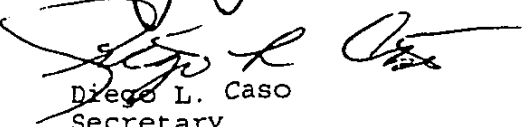
Chairman Spottswood asked for any further discussion. A shareholder inquired about the rationale for the Bank undertaking the reorganization and its decision to elect S Corporation status. Chairman Spottswood responded that the Bank expected that the S Corporation election would result in substantial tax savings to the Bank and its shareholders.

There being no further business, on a motion by Mr. Wood, seconded by Mr. Blum the Meeting was adjourned.

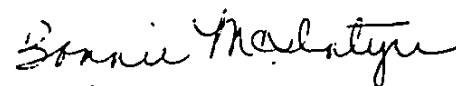
Respectfully submitted:



John M. Spottswood, Jr.
Chairman of the Board



Diego L. Caso
Secretary


Bonnie McIntyre
Recording Secretary

FIRST STATE BANK OF THE FLORIDA KEYS

SPECIAL MEETING OF STOCKHOLDERS

SEPTEMBER 3, 1997

CERTIFICATE OF THE INSPECTORS OF ELECTION

We, the undersigned, duly appointed Inspectors of Election of First State Bank of the Florida Keys (the "Corporation"), do hereby certify as follows:

1. That the Special Meeting of Stockholders of the Corporation was held at the principal offices of the Corporation at 1201 Simonton Street, Key West on Wednesday, September 3, 1997 at 5:00 p.m., local time, pursuant to Notice of Special Meeting mailed to all Stockholders.

2. That before entering upon the discharge of our duties, we were duly sworn, and the oath so taken by us annexed hereto.

3. That we determined that:

a. The number of outstanding shares of Common Stock of the Corporation as of August 1, 1997, the record date for said meeting, was 36,215.

b. Such shares are entitled to one vote per share with respect to all matters required by law to be submitted to shareholders; and

c. 34,100 of such shares were represented at the meeting constituting a quorum in accordance with the applicable provisions of the By-Laws of the Corporation.

4. That we inspected the signed proxies used at the meeting; and found the same to be valid and in Proper form.

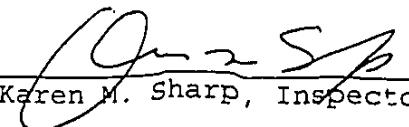
5. That we received the votes of the shareholders in

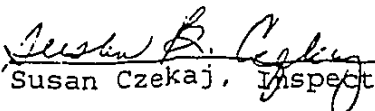
connection with the vote on a resolution to approve an Agreement and Plan of Merger dated July 21, 1997, between the Corporation and Keys Bank Interim Bank, as more fully described in the Notice of Special Meeting and did canvass the votes cast, and the result of the votes taken at such meeting was as follows:

<u>Votes For</u>	<u>Votes Against***</u>	<u>Abstentions</u>
<u>33,717</u>	<u>368</u>	<u>15</u>

That the above described resolution, having received the number of votes constituting at least majority of the votes cast, was declared by us duly approved by the stockholders of the Corporation.

IN WITNESS WHEREOF, we have duly executed this Certificate this 3rd day of September, 1997.


Karen M. Sharp, Inspector


Susan Czeka, Inspector

***Including 260 shares required to vote "Against" in order to elect to receive the Cash Consideration in lieu of shares in the Resulting Bank.

FIRST STATE BANK OF THE FLORIDA KEYS

SPECIAL MEETING OF STOCKHOLDERS

SEPTEMBER 3, 1997

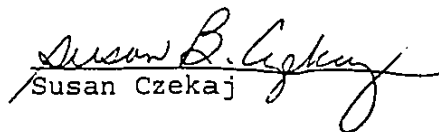
OATH OF INSPECTORS OF ELECTION

STATE OF FLORIDA
COUNTY OF MONROE

We, the undersigned, duly appointed Inspectors of Election of First State Bank of the Florida Keys (the "Corporation"), being duly sworn, do solemnly swear that we will fairly and impartially perform our duties as Inspectors of Election at the Special Meeting of Stockholders of the Corporation to be held September 3, 1997, in connection with such matters as are set forth in the Notice of Special Meeting of Stockholders of the Corporation, dated August 5, 1997 and in connection with such other matters on which we may be called upon to act, and will faithfully and diligently canvass the votes cast in connection with such matters, and will honestly and truthfully report on such matters.


Karen M. Sharp

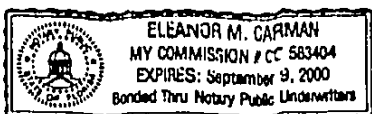
Sworn to and subscribed
before me this 17 day of
September, 1997.


Susan Czeka

Sworn to and subscribed
before me this 17 day of
September, 1997.


Notary Public


Notary Public



original
FILED
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SECRETARY OF STATE
TALLAHASSEE

AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT AND PLAN OF REORGANIZATION, dated as of July 21, 1997 (the "Agreement"), by and between First State Bank of the Florida Keys, a Florida chartered commercial bank (the "Bank"), and Keys Bank Interim Bank, a to-be-formed interim state chartered commercial bank ("Interim").

WITNESSETH:

WHEREAS, the Board of Directors of the Bank has determined that it is in the best interests of the Bank and its stockholders for the Bank to be reorganized as a Subchapter S corporation (an "S" Corporation) under the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder ("the Code");

WHEREAS, Interim is being organized as an interim state-chartered commercial bank with certain members of the Board of Directors of the Bank (the "Board"), as its stockholders for the sole purpose of consummating the reorganization and merger contemplated by this Agreement.

WHEREAS, as of the date of this Agreement, the authorized capital stock of the Bank consists of 44,925 shares of common stock, par value \$20.00 per share (the "Bank Common Stock");

WHEREAS, the authorized capital stock of Interim will consist of 44,925 shares of common stock, par value \$20.00 per share (the "Interim Common Stock");

WHEREAS, the authorized capital stock of the resulting financial institution in the Merger will consist of 44,925 shares of common stock, par value \$20.00 per share (the "Resulting Bank Common Stock");

WHEREAS, the reorganization of the Bank into an S Corporation will be accomplished by the following steps: (i) the formation of Interim by certain members of the Board as its stockholders and (ii) the merger of the Bank with and into Interim (the "Merger") pursuant to which (a) each outstanding share of Bank Common Stock will be converted automatically into 1/50th of a share of Resulting Bank Common Stock, with any stockholder who is not entitled to receive at least one whole share of Resulting Bank Common Stock as a result of the Merger receiving cash in lieu of fractional shares and (b) all of the outstanding shares of Interim Common Stock outstanding immediately prior to the Merger (which will be held entirely by the members of the Board forming Interim) will be canceled;

WHEREAS, Interim will have nominal assets and nominal liabilities, if any, and accordingly, the capital account, surplus and retained earnings of the resulting financial institution in the Merger will be substantially equivalent to those of the Bank immediately prior to the Merger, except for reductions attributable to any cash paid to stockholders of the Bank pursuant to the terms of this Agreement; and

WHEREAS, the Bank and Interim are entering into this Agreement to set forth the terms and conditions of the Merger.

NOW, THEREFORE, in consideration of the mutual promises herein contained and intending to be legally bound, the parties hereto agree as follows:

1. MERGER

1.1 The Merger. On the Effective Date (as defined in Section 1.4 below), the Bank will be merged with and into Interim under the terms of this Agreement, and the separate existence of each of the Bank and Interim shall be merged into and continued in the resulting bank (the "Resulting Bank"). The name of the Bank shall be retained by the Resulting Bank.

1.2 Effects of the Merger.

(a) *Transfer of Assets and Liabilities.* Upon the consummation of the Merger, the separate corporate existence of each of the Bank and Interim shall cease as a consequence of being merged into the Resulting Bank. On and after the Effective Date, all rights, franchises, property, powers and other interests (whether tangible or intangible) of each of the Bank and Interim, and all obligations and liabilities thereof shall be transferred to, be vested in, and become the obligations of the Resulting Bank by virtue of the Merger, without any deed or other instrument of transfer.

(b) *Articles of Incorporation and By-laws.* The articles of incorporation of Interim as in effect immediately prior to the Merger, shall be the articles of incorporation of the Resulting Bank (the "Articles of Incorporation"), except that the name of Interim shall be changed to the name of the Bank - "First State Bank of the Florida Keys". The by-laws of Interim in effect immediately prior to the Merger shall be the by-laws of the Resulting Bank (the "By-laws"), except that any references to the name of Interim in such By-laws shall be changed to the name of the Bank.

(c) *Name and Place of Business.* The business of the Resulting Bank shall be identical to that of the Bank and shall be that of a Florida state chartered commercial bank. The Resulting Bank shall conduct this business under the name of the Bank - "First State Bank of the Florida Keys", and its main office shall remain at the Bank's main office at 1201 Simonton Street, Key West, Florida 33040. At the Effective Date, the branch offices of the Bank which were in lawful operation immediately prior to the Effective Date shall be retained and operated as branches of the Resulting Bank. Schedule 1.2(c) hereof sets forth the location of each branch office that will be operated immediately after the Effective Date by the Resulting Bank.

(d) *Board of Directors.* After the Merger, the Board of Directors of the Resulting Bank shall be identical to the Board of Directors of the Bank immediately prior to the Effective Date. The directors of the Resulting Bank, whose names and addresses are set forth on Schedule 1.2(d) hereof, shall hold office subject to the Articles of Incorporation and By-laws of the Resulting Bank.

(e) *Executive Officers.* After the Merger, the executive officers of the Bank immediately prior to the Effective Date shall constitute the executive officers of the Resulting Bank until such time as their respective successors have been elected and qualified. The executive officers of the Resulting Bank, whose names and addresses are set forth on Schedule 1.2(e) hereof, shall hold office subject to the Articles of Incorporation and By-laws of the Resulting Bank.

- (f) Trust Powers. The Resulting Bank shall not have trust powers.

1.3 Prior Approvals. The Merger is subject to approval of certain federal and state regulatory agencies including, without limitation (i) the Federal Deposit Insurance Corporation (the "FDIC"); (ii) the Florida Department of Banking and Finance (the "Department"); and (iii) any other regulatory authorities having jurisdiction (collectively, the "Applicable Regulatory Authorities"). In addition, the Merger is subject to a number of other conditions set forth herein, including, without limitation, approval by the stockholders of each of the Bank and Interim.

1.4 Effective Date. Subject to the satisfaction or waiver of the conditions precedent set forth in Article 3 of this Agreement, the parties shall cause the Merger to become effective by requesting in accordance with all applicable regulations that a Certificate of Merger (the "Certificate of Merger") be issued with respect to the Merger. The date and time specified in the Certificate of Merger issued by the Department shall for all purposes hereunder be the effective date and time of the reorganization and Merger contemplated by this Agreement (the "Effective Date").

2. CONVERSION OF STOCK; DISSENTING SHARES

2.1 Conversion of Bank Common Stock. On the Effective Date and as a result of the Merger, each issued and outstanding share of Bank Common Stock, other than Dissenting Shares (as defined below), Disqualified Shares (as defined below) and Disqualifying Shares (as defined below) shall, by virtue of the Merger and without further action by the holder thereof, cease to be an issued and outstanding share of Bank Common Stock and shall become and be converted into 1/50th of a share of Resulting Bank Common Stock. Any shares of Resulting Bank Common Stock not issued to holders of Bank Common Stock in the Merger shall remain as authorized but unissued shares of capital stock of the Resulting Bank.

2.2 Conversion of Interim Common Stock. On the Effective Date and as a result of the Merger, each share of Interim Common Stock issued and outstanding immediately prior to the Effective Date, all of which will be held by the members of the Board forming Interim, shall be canceled and extinguished without any payment or other consideration made with respect thereto and such shares will be deemed to be authorized but unissued shares of the Resulting Bank.

2.3 Dissenting Shares. The holder of any Dissenting Share shall have the rights, subject to the limitations, provided by applicable law. A "Dissenting Share" shall mean any share of Bank Common Stock for which the holder thereof will, immediately after the Effective Date, be entitled to seek appraisal rights under Florida law.

2.4 Stock Certificates.

(a) At or after the Effective Date, non-dissenting holders of a certificate or certificates theretofore evidencing issued and outstanding shares of Bank Common Stock shall be required to exchange their existing certificates for one or more certificates representing the number of shares of Resulting Bank Common Stock or cash, as applicable, into which such shares were converted by virtue of the Merger. As soon as practicable after the Effective Date, the Resulting Bank shall deliver to each record holder of Bank Common Stock a form of letter of transmittal which, among other matters, shall specify how such stockholder shall receive the shares of Resulting Bank Common Stock or cash, as applicable, payable as a result of the Merger. As

soon as practicable after surrender to the Resulting Bank of a properly executed letter of transmittal and any certificates which immediately prior to the Effective Date shall have represented any then issued and outstanding shares of Bank Common Stock, the Resulting Bank shall, subject to the provisions of Sections 2.6 and 2.8 hereof, cause to be distributed to the person in whose name such Bank Common Stock shall have been registered either (i) certificates registered in the name of such person representing the shares of Resulting Bank Common Stock into which such shares of Bank Common Stock shall have been converted at the Effective Date or (ii) a check payable to such person representing the payment of cash in lieu of fractional shares determined in accordance with Section 2.5 hereof. Notwithstanding any provision in this Agreement to the contrary, no person shall be eligible to receive shares of Resulting Bank Common Stock in connection with the Merger unless prior thereto such person delivers to the Resulting Bank such documentation as the Resulting Bank may reasonably request in order to determine whether, in the reasonable judgment of the Resulting Bank, such person is permitted to be a stockholder of an S Corporation. Until surrendered as contemplated by the second preceding sentence, each certificate which immediately prior to the Effective Date shall have represented any then issued and outstanding shares of Bank Common Stock shall be deemed at and after the Effective Date to represent only the right to receive, upon such surrender, the certificates or cash payment contemplated by the second preceding sentence.

(b) No dividends or other distributions declared after the Effective Date with respect to shares of Resulting Bank Common Stock and payable to the holders of record thereof after the Effective Date shall be paid with respect to Bank Common Stock converted into Resulting Bank Common Stock in the Merger until such properly executed letter of transmittal and a properly executed S Corporation Election (as defined below) and any unsurrendered certificates representing such shares of Bank Common Stock are surrendered as provided herein. Upon the surrender of such letter of transmittal, S Corporation Election and any such outstanding certificates, however, there shall be paid to the record holder of the certificates of Resulting Bank Common Stock issued in exchange for the shares of Bank Common Stock (but not with respect to any fractional shares of Resulting Bank Common Stock for which cash is to be paid in lieu thereof), the aggregate amount of dividends and distributions, if any, which theretofore became payable in respect of the shares of Resulting Bank Common Stock into which such Bank Common Stock is converted, subject in any case to any applicable escheat laws and unclaimed property laws. No interest shall be payable on or in respect of the payment of such dividends or cash in lieu of fractional shares on surrender of outstanding certificates.

2.5 Cash in Lieu of Fractional Shares. Notwithstanding any other provision of this Agreement to the contrary, no certificates or script representing fractional shares of Resulting Bank Common Stock shall be issued upon the conversion of shares of Bank Common Stock in the Merger unless the registered holder of such Bank Common Stock immediately prior to the Effective Date is otherwise entitled to receive at least one whole share of Resulting Bank Common Stock upon conversion of all shares of Bank Common Stock registered in such holder's name immediately prior to the Effective Date. Other than fractional shares issued to a holder of at least one whole share of Resulting Bank Common Stock in accordance with the preceding sentence, no dividend or distribution of the Resulting Bank shall relate to any fractional share otherwise issuable pursuant to the terms hereof and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of the Resulting Bank. In lieu of any fractional shares, there shall be paid to each holder of shares of Bank Common Stock who is not entitled to receive at least one whole share of Resulting Bank Common Stock in accordance with this Article 2 and who otherwise would be entitled to receive a fractional share of Resulting Bank Common Stock, an amount in cash (without interest) equal to the fair market value of such shares of Bank

Common Stock immediately prior to the Effective Date as determined by the Board of Directors of the Bank.

2.6 Disqualified Shares. Notwithstanding anything in this Agreement to the contrary, no stockholder shall be entitled to receive shares of Resulting Bank Common Stock pursuant to the Merger unless such stockholder is, on the Effective Date, permitted to be a stockholder of an S Corporation under the Code. Any stockholder who is not permitted to be a stockholder of an S Corporation on the Effective Date shall be deemed for all purposes of this Agreement to have elected to receive the fair market value of his shares of Bank Common Stock in cash and shall not be deemed to have received, or to have been entitled to receive, shares of Resulting Bank Common Stock in connection with the Merger (such shares of Bank Common Stock held by a stockholder who is not, on the Effective Date, permitted to be a stockholder of an S Corporation are referred to herein as "Disqualified Shares"). For purposes of this Agreement, the term "Disqualified Shares" shall include any shares of Bank Common Stock held by a registered holder of Bank Common Stock which shares would be deemed under the provisions of the Code relating to S Corporations to be held by more than one holder, unless each such deemed beneficial holder possesses sole beneficial ownership of at least fifty shares of the shares of Bank Common Stock held by such registered holder as determined under applicable law. The fair market value of Disqualified Shares shall be determined in the same manner, and shall be assigned the same value as shares of Bank Common Stock for which the holder thereof is entitled to receive cash in lieu of fractional shares pursuant to Section 2.5 hereof.

2.7 Ownership Inquiry.

(a) If it is determined by the Board of Directors, in their sole discretion, to be prudent to prevent the Resulting Bank from failing to qualify as an S Corporation, the Resulting Bank may by notice in writing require a record holder of shares of Bank Common Stock, or any person that the Resulting Bank knows to have, or has reasonable cause to believe has, beneficial ownership of shares of Bank Common Stock, to certify to the Resulting Bank in such manner as the Resulting Bank shall deem appropriate (including by way of execution of any form of affidavit by such person) that, to the knowledge of such person all shares of the Bank Common Stock as to which such person has record ownership or beneficial ownership are not Disqualified Shares.

(b) With respect to any shares of Bank Common Stock identified by such person in response to subsection (a) of this Section 2.7, the Resulting Bank may require such person to provide such further information as the Bank may reasonably require to implement the provisions of Sections 2.6 and 2.7 hereof.

(c) For purposes of applying the provisions of Section 2.6 and 2.7 hereof with respect to any shares of Bank Common Stock, in the event of the failure of any person to provide the certificate or other information to which the Resulting Bank is entitled pursuant to this Section 2.7, the Resulting Bank may presume that the shares of Bank Common Stock in question are Disqualified Shares.

2.8 Execution of S Corporation Election. The Bank or the Resulting Bank shall deliver to each record holder of Bank Common Stock a form of consent (the "S Corporation Election") that will constitute such stockholder's consent to the Resulting Bank electing to be treated as an S Corporation. Notwithstanding anything in this Agreement to the contrary, no stockholder shall be entitled to receive shares of Resulting Bank Common Stock pursuant to the Merger if such stockholder does not return a duly executed S Corporation Election to the Resulting Bank on or before the date which is 30 days after the Effective Date (the "Election Deadline"). Any stockholder who does not return a duly executed S Corporation Election by the Election Deadline shall be deemed for all purposes of this Agreement to have elected to receive the fair market value of his shares of Bank Common Stock in cash and shall not be deemed to have received, or to have been entitled to receive, shares of Resulting Bank Common Stock in connection with the Merger (such shares of Bank Common Stock held by a stockholder who does not return a duly executed S Corporation Election by the Election Deadline are referred to herein as "Disqualifying Shares"). The fair market value of Disqualifying Shares shall be determined in the same manner, and shall be assigned the same value as shares of Bank Common Stock for which the holder thereof is entitled to receive cash in lieu of fractional shares pursuant to Section 2.5 hereof.

2.9 Issuance Other Than to Record Owner. If any cash or certificate representing shares of Resulting Bank Common Stock is to be paid to or issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it shall be a condition of the payment or issuance thereof that the certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer to the person designated to receive such shares be permitted to be a stockholder of an S Corporation and that the person requesting such exchange shall pay to the Resulting Bank any transfer or other taxes required by reason of the issuance of a certificate representing shares of Resulting Bank Common Stock, or the payment of cash in lieu of fractional shares, in any name other than that of the registered holder of the certificate surrendered, and with respect to the issuance of Resulting Bank Common Stock, it shall be a further condition that such issuance to the requesting person would not cause the Resulting Bank to fail to be treated as an S Corporation.

2.10 No Further Transfers of Bank Common Stock. After the Effective Date, there shall be no further registration of transfers on the stock transfer books of the Resulting Bank of the shares of Bank Common Stock which were outstanding immediately prior to the Effective Date. If, after the Effective Date, certificates representing such outstanding shares are presented to the Resulting Bank, they shall be canceled and exchanged for cash or certificates representing the shares of Resulting Bank Common Stock, as the case may be, into which the holder thereof is entitled, as provided in this Article 2, subject, however, to the restrictions on transfer set forth in the Articles of Incorporation of the Resulting Bank.

2.11 Sole Rights; Continuity of Rights and Preference. On the Effective Date, the holders of certificates formerly representing shares of Bank Common Stock outstanding immediately prior to the Effective Date shall cease to have any rights with respect to such shares of Bank Common Stock and their sole rights on and following the Effective Date shall be with respect to the shares of Resulting Bank Common Stock or cash, as the case may be, into which their shares of Bank Common Stock shall have been converted by virtue of the Merger, or shall be to perfect such alternative rights, if any, as they may have as dissenting stockholders as provided under Florida law.

3. **CONDITIONS.** The obligations of the parties hereto to consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of each of the following conditions:

3.1 Board Approval. The authorization of this Agreement and the Merger by the respective Boards of Directors of the Bank and Interim shall not have been revoked or adversely modified.

3.2 Stockholder Approval. This Agreement and the Merger shall have been duly approved and adopted by the affirmative votes of the holders of a majority of each of the outstanding shares of Bank Common Stock and the outstanding shares of Interim Common Stock.

3.3 Sufficient Capital. The Bank shall have sufficient regulatory capital to enable the Resulting Bank to distribute cash to those stockholders who are entitled to receive cash in lieu of fractional shares pursuant to Article 2 hereof and to those stockholders who have preserved their right to exercise dissenters' rights to demand payment of the appraised value of their shares.

3.4 Regulatory Approval. All approvals, waivers and authorizations of, filings and registrations with, and notifications to, all Applicable Regulatory Authorities required for consummation of the Merger shall have been obtained or made and shall be in full force and effect and all applicable waiting periods shall have expired. No such approvals or authorizations shall contain or be subject to terms or conditions which the Bank deems to be burdensome.

3.5 Tax Free. The Merger shall constitute a tax-free reorganization for United States federal income tax purposes.

3.6 Other Approvals. All other consents and approvals and the satisfaction of all other requirements that are necessary, in the opinion of the Bank or Interim, for the consummation of the Merger shall have been obtained.

4. **TERMINATION; AMENDMENT**

4.1 Termination of Agreement. This Agreement may be terminated by the Bank or Interim at any time before the Effective Date in the event that (a) any action, suit, proceeding or claim has been instituted, made or threatened relating to the Agreement which shall make consummation of the transactions contemplated hereby inadvisable in the opinion of the Bank or Interim or (b) for any other reason consummation of the transactions contemplated hereby is inadvisable in the opinion of the Bank or Interim. Such termination shall be effected by authorization of the Board of Directors of the Bank whereupon this Agreement shall be terminated and there shall be no liability hereunder on account of such termination on the part of the Bank, Interim or the directors, officers, employees, agents or stockholders of any of them. In the event of termination of this Agreement, the Bank shall pay the fees and expenses incurred by itself and Interim in connection with this Agreement and the Merger.

4.2 Amendment. This Agreement may be amended or modified at any time by mutual written agreement of the parties (a) in any respect prior to the approval hereof by the stockholders of the Bank entitled to vote hereon, and (b) in any respect subsequent to such approval, provided that any such amendment or modification subsequent to such approval (i) shall be approved by the Applicable Regulatory Authorities and (ii) shall not in any manner which is materially adverse to the holders of Bank Common Stock (A) alter or change the method of

converting the issued and outstanding shares of Bank Common Stock into shares of Resulting Bank Common Stock, respectively, (B) alter or change any provision of the Articles of Incorporation of the Resulting Bank, or (C) otherwise materially adversely affect the stockholders of the Bank.

5. MISCELLANEOUS

5.1 Successors. This Agreement shall be binding on the respective successors of the Bank and Interim.

5.2 Counterparts. This Agreement may be executed in one or more counterparts.

5.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

5.4 Execution by Interim. The Bank acknowledges that as of the date hereof, Interim is in the process of organizing and has not received its charter from the Department. Therefore, Interim does not have the legal capacity to execute this Agreement as of the date hereof. The members of the Board forming Interim agrees to cause Interim to execute this Agreement promptly following the organization of Interim upon receipt of approval from the Department for Interim to be organized. The members of the Board forming Interim, as the sole stockholders of Interim, hereby approve and ratify this Agreement and the transactions contemplated hereby. The Bank agrees to be bound by this Agreement prior to and following such execution by Interim.


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IN WITNESS WHEREOF, the Boards of Directors of the parties hereto have approved this Agreement and the duly authorized officers of each have executed this Agreement on their behalf as of the date first above written.

Attest:

FIRST STATE BANK OF THE FLORIDA
KEYS

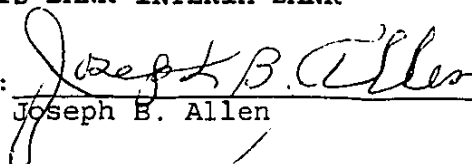
By: Bonnie Meslatype

By: 
Daniel E. Lee, Jr.

Attest:


KEYS BANK INTERIM BANK

By: Bonnie Meslatype

By: 
Joseph B. Allen

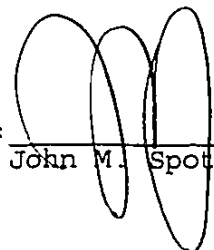
Attest:

By: Bonnie Meslatype

By: 
Dr. Frank V. Bervaldi

Attest:

By: Bonnie Meslatype

By: 
John M. Spottswood, Jr.

Attest:

By: _____

By: _____
Norman B. Wood

IN WITNESS WHEREOF, the Boards of Directors of the parties hereto have approved this Agreement and the duly authorized officers of each have executed this Agreement on their behalf as of the date first above written.

Attest:

FIRST STATE BANK OF THE FLORIDA
KEYS

By: _____

By: _____
Daniel E. Lee, Jr.

Attest:

KEYS BANK INTERIM BANK

By: _____

By: _____
Joseph B. Allen

Attest:

By: _____

By: _____
Dr. Frank V. Bervaldi

Attest:

By: _____

By: _____
John M. Spottswood, Jr.

Attest:

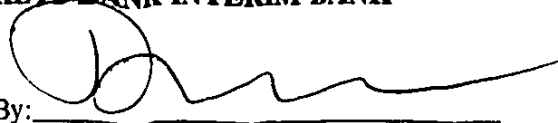
By: Edward L. Simpson

By: Norman B. Wood
Norman B. Wood

Attest:

By: Bonnie Merlotype

KEYS BANK INTERIM BANK

By: 
Daniel E. Lee, Jr.
President and Chief Executive Officer

*Executed only with respect to Section 5.4 hereof.

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SCHEDULE 1.2(c)

Locations of Branches of the Resulting Bank

1. 3406 North Roosevelt Boulevard, Key West, Florida 33040
2. Key West Winn Dixie Marketplace, 2778 North Roosevelt Boulevard, Key West, Florida 33040
3. Mile Marker 17, U.S. Highway One, Sugarloaf Shores, Florida 33044
4. Mile Marker 24.9, U.S. Highway One, Summerland Key, Florida 33042
5. 151 Key Deer Boulevard, Big Pine Key, Florida 33043
6. Big Pine Key Winn Dixie Marketplace, 251 Key Deer Boulevard, Big Pine Key, Florida 33043
7. 97670 Overseas Highway, Key Largo, Florida 33037
8. 101427 Overseas Highway, Key Largo, Florida 33037*

* Proposed branch location pending regulatory approval. Operations at this location will be conducted only upon receipt of all necessary regulatory approvals.

SCHEDULE 1.2(d)

Board of Directors of the Resulting Bank

<i>Name</i>	<i>Address</i>
Joseph B. Allen, Jr.	813 Waddell Avenue Key West, FL 33040
Gregory D. Artman	1547 5 th Street Key West, FL 33040
Dr. Frank V. Bervaldi	3406 Rivera Drive Key West, FL 33040
Gary Blum	1111 Johnson Street Key West, FL 33040
William O. Kemp	P.O. Box 1529 Key West, FL 33041
Daniel E. Lee, Jr.	12 Azalea Drive Key West, FL 33040
Jerry Luptak	60 Tannancour Pl. Grosspoint Farms, MI 48236
John M. Spottswood, Jr.	522 Caroline Street Key West, FL 33040
Robert A. Spottswood	532 Caroline Street Key West, FL 33040
Norman B. Wood	1021 Washington Street Key West, FL 33040
Carl R. Zwerner	431 So. Surf Road Hollywood, FL 33019

SCHEDULE 1.2(e)

Executive Officers of the Resulting Bank

<i>Name</i>	<i>Office</i>	<i>Address</i>
John M. Spottswood, Jr.	Chairman of the Board	522 Caroline Street Key West, FL 33040
Daniel E. Lee, Jr.	President and Chief Executive Officer	12 Azalea Drive Key West, FL 33040
Kurt Lewin	Senior Vice President and Senior Loan Officer	404 White Street Key West, FL 33040
Karen M. Sharp	Senior Vice President and Chief Financial Officer	P.O. Box 719 Summerland Key, FL 33042
Bette Brown-Herlth	Senior Vice President	37 Mutiny Place Key Largo, FL 33037
Doria Fernandez	Vice President	3716 Northside Drive Key West, FL 33040

ARTICLES OF INCORPORATION
OF
FIRST STATE BANK OF THE FLORIDA KEYS

The undersigned hereby associate themselves together for the purpose of forming a corporation under and by virtue of the Laws of the State of Florida, with and under the following Articles of Incorporation.

ARTICLE I

The name of the Corporation shall be First State Bank of the Florida Keys and its initial place of business shall be 1201 Simonton Street in the City of Key West, in the County of Monroe, and the State of Florida.

ARTICLE II

The general nature of the business to be transacted by the Corporation shall be: That of a general banking business with all of the rights powers and privileges granted and conferred by the banking laws of the State of Florida, regulating the organization, powers and management of banking corporations.

ARTICLE III

The authorized capital stock of the Corporation shall be Eight Hundred Ninety-Eight Thousand Five Hundred Dollars (\$898,500.00) of common stock to be divided into Forty-Four Thousand Nine Hundred Twenty-Five (44,925) shares of the par value of Twenty Dollars (\$20.00) each.

ARTICLE IV

The Corporation shall have perpetual existence.

ARTICLE V

The business and affairs of the Corporation shall be managed and conducted by: (i) a Board of not less than five nor more than twenty-five Directors who shall be elected annually by the stockholders at their annual meeting to be held at its place of business in the City of Key West in the County of Monroe and State of Florida during the month of January of each year after the

Corporation shall be fully authorized to commence business; provided, however, that if so authorized by a majority of the stockholders by appropriate action of the stockholders at the next preceding annual meeting, a majority of the full Board of Directors may, at any time during the year following the annual meeting of stockholders in which such action has been authorized, increase the number of Directors within the limits specified above, and appoint persons to fill the resulting vacancies, provided further that in any one year not more than two such additional Directors shall be authorized pursuant to this provision; and (ii) by a President, who shall be a Director, and one or more Vice-Presidents and a Cashier and such other officers as may be designated in the by-laws of the Corporation, who shall be elected by the Board of Directors, at the same place, on the same day and immediately after said Board of Directors shall be elected by the stockholders; provided that the offices of Vice President and Cashier may be combined in one and the same person.

ARTICLE VI

Until the Directors elected at the first annual meeting of the stockholders and the officers elected at the first annual meeting of the Directors shall be qualified, the business of the Corporation shall be conducted by the following named Directors:

<u>Name</u>	<u>Post Office Address</u>
Joseph B. Allen, Jr.	813 Waddell Avenue Key West, FL 33040
Gregory D. Artman	1547 5 th Street Key West, FL 33040
Dr. Frank V. Bervaldi	3406 Rivera Drive Key West, FL 33040
Gary Blum	1111 Johnson Street Key West, FL 33040
William O. Kemp	P.O. Box 1529 Key West, FL 33041
Daniel E. Lee, Jr.	12 Azalea Dr. Key West, FL 33040
Jerry Luptak	60 Tannancour Pl. Grosspoint Farms, MI 48236

John M. Spottswood, Jr.

522 Caroline Street
Key West, FL 33040

Robert A. Spottswood

532 Caroline Street
Key West, FL 33040

Norman B. Wood.

1021 Washington Street
Key West, FL 33040

Carl R. Zwerner

431 So. Surf Rd.
Hollywood, FL 33019

and by the following officers:

<u>Name</u>	<u>Office</u>	<u>Post Office Address</u>
John M. Spottswood, Jr.	Chairman of the Board	522 Caroline Street Key West, FL 33040
Daniel E. Lee, Jr.	President and Chief Executive Officer	12 Azalea Drive Key West, FL 33040
Diego L. Caso	Senior Vice President Cashier/Security Officer	2518 Flagler Avenue Key West, FL 33040
Kurt Lewin	Senior Vice President and Senior Loan Officer	404 White Street Key West, FL 33040
Karen M. Sharp	Senior Vice President and Chief Financial Officer	P.O. Box 719 Summerland Key, FL 33042
Bette Brown-Herlth	Senior Vice President Regional Manager-Upper Keys	37 Mutiny Place Key Largo, FL 33037
Doria Fernandez	Vice President Branch Manager of Main Branch	3716 Northside Drive Key West, FL 33040

ARTICLE VII

1. Certain Definitions. For purposes of this Article VII:

a. "Affiliate" means, when used in reference to any Person, any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such Person.

b. "Associate" means, when used in reference to any Person, (1) any corporation or organization of which such Person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 Percent or more of any class of equity securities, (2) any trust or other estate in which such Person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity and (3) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

c. "Capital Stock" means the capital stock of the Corporation.

d. "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

e. "Disqualified Person" means any Person which is not permitted to be a stockholder of a "small business corporation" pursuant to the provisions of 26 U.S.C. §1361(b)(1)(B) or (C), as amended, or by any successor provision.

f. "Disqualifying Transfer" means any transfer (whether by operation of law or otherwise) of any shares of the Capital Stock, the result of which would cause the Corporation to have more than the maximum number of stockholders permitted for an S Corporation.

g. "Person" means any natural person, corporation, unincorporated organization, limited liability company, partnership, association, joint stock company, joint venture, trust or government, or any agency or political subdivision of any government, or any other entity.

h. "Redemption Date" means (i) with respect to a redemption of shares of Capital Stock from a Disqualified Person the date immediately prior to the date on which such Person became a Disqualified Person and (ii) with respect to shares of Capital Stock which are the subject of a proposed Disqualifying Transfer, the date fixed by action of the Board of Directors for the redemption of any shares of the Capital Stock pursuant to paragraph 7 of this Article VII.

i. "S Corporation" means a corporation which is an "S corporation" (as defined in 26 U.S.C. § 1361(a)(1), as amended, or in any successor provision).

j. "S Election" means the written consent of a stockholder of the Corporation to the Corporation making the election provided for under 26 U.S.C. §1362(a), as amended, or under any successor provision.

2. General. Consistent with 26 U.S.C. § 1361 et. seq., as amended, or any successor provision, and to prevent the loss by the Corporation of its status as an S Corporation, it is the policy of the Corporation that, subject to the provisions of this Article VII, no Person shall be permitted to hold, own, acquire or transfer any shares of the Capital Stock if, as a result thereof, the Corporation would fail to qualify as an S Corporation.

3. Effectiveness. The limitations of the rights of holders of shares of the Capital Stock provided for in this Article VII shall be effective notwithstanding any other provision of these Articles of Incorporation to the contrary but only for so long as the Corporation (a) is qualified as an S Corporation or (b) if not then qualified as an S Corporation, intends to reinstate its qualification as an S Corporation within a reasonable time after ceasing to be so qualified.

4. Disqualified Persons. A Disqualified Person may not hold shares of Capital Stock. An acquisition or purported acquisition of shares of Capital Stock by a Disqualified Person shall be void *ab initio* to the fullest extent permitted under applicable law, and the intended transferee of the subject shares of Capital Stock shall be deemed never to have had an interest therein.

In the event that any holder of shares of Capital Stock becomes a Disqualified Person, such Disqualified Person shall be deemed immediately prior to the event that results in such holder becoming a Disqualified Person to hold such shares as agent for, and in trust for the benefit of, the Corporation and subject to the right of redemption in favor of the Corporation set forth in paragraph 7 of this Article VII.

5. Disqualifying Transfers. If at any time a Disqualifying Transfer shall be proposed, the Board of Directors shall have the right, but shall not be required, to refuse to transfer any shares of the Capital Stock purportedly transferred pursuant to the Disqualifying Transfer for a period not to exceed 180 days following the date on which such shares shall be presented to the Corporation for transfer. During such 180-day period, the Corporation shall use its reasonable best efforts to obtain all necessary approvals, waivers and authorizations of, and to make all necessary filings and registrations with, and notifications to, all applicable governmental authorities to permit the Corporation to redeem such shares of Capital Stock. During such 180-day period, the Corporation shall be permitted to treat the record holder of the shares of the Capital Stock, as shown on the record books of the Corporation, as the true owner of such shares for all purposes, and the Board of Directors shall have the right, in its sole discretion, but shall not be required to, redeem the shares which are the subject of the proposed Disqualifying Transfer pursuant to the provisions of paragraph 7 of this Article VII. If any approval, waiver or authorization of any applicable governmental authorities shall not be obtained (other than as a result of the fault of the stockholder who shall have proposed the Disqualifying Transfer or any Affiliate thereof), then the Corporation shall have the right for a period of an additional 90 days from the date on which the Corporation is notified that such approval, waiver or authorization shall not be obtained to use its reasonable best efforts to assign the right of redemption provided for hereunder to a third party whose purchase of such shares of Capital Stock would not result in a Disqualifying Transfer, and shall be permitted to treat the record holder of the shares of the

Capital Stock, as shown on the record books of the Corporation, as the true owner of such shares for all purposes. If the Corporation shall not exercise its right of redemption, or otherwise cause such shares to be purchased in a manner which would not constitute a Disqualifying Transfer, within such additional 90-day period (other than as a result of the fault of the stockholder who shall have proposed the Disqualifying Transfer or any Affiliate thereof), then the Corporation shall, as promptly thereafter as practicable, permit the transfer of such shares of the Capital Stock, and the Disqualifying Transfer shall be deemed to have been effected at the end of such additional 90-day period.

6. Ownership Inquiry.

a. Whenever it is deemed by the Board of Directors, in their sole discretion, to be prudent to prevent the Corporation from failing to qualify or to continue qualification as an S Corporation, the Corporation may by notice in writing (which may be included in the form of proxy or ballot distributed to stockholders of the Corporation in connection with any annual or special meeting of the stockholders of the Corporation, or otherwise) require a Person that is a holder of record of shares of the Capital Stock or that the Corporation knows to have, or has reasonable cause to believe has, beneficial ownership of shares of the Capital Stock to certify to the Corporation in such manner as the Corporation shall deem appropriate (including by way of execution of any form of proxy, ballot or affidavit by such person) that, to the knowledge of such person all shares of the Capital Stock as to which such person has record ownership or beneficial ownership are owned and controlled only by Persons who are not Disqualified Persons.

b. With respect to any Capital Stock identified by such person in response to subsection (a) of this paragraph 6, the Corporation may require such person to provide such further information as the Corporation may reasonably require to implement the provisions of this Article VII.

c. For purposes of applying the provisions of this Article VII with respect to any shares of the Capital Stock, in the event of the failure of any Person to provide the certificate or other information to which the Corporation is entitled pursuant to this paragraph 6, the Corporation may presume that the shares of Capital Stock in question are beneficially owned or controlled by Disqualified Persons.

d. The Board of Directors shall have the right, but shall not be required, to refuse to transfer any shares of the Capital Stock purportedly transferred if a statement or affidavit requested pursuant to this paragraph 6 of this Article VII has not been received.

7. Redemption: Governmental Authorization. Notwithstanding any other provision of these Articles of Incorporation to the contrary, the Corporation may redeem those shares of the Capital Stock from a Disqualified Person pursuant to paragraph 4 of this Article VII or which are the subject of a proposed Disqualifying Transfer, pursuant to the Florida Business Corporation Act, the Florida Banking Code, or any other applicable provision of law, to the extent determined by

the Board of Directors, in its sole discretion, to be necessary to preserve the Corporation's status as an S Corporation. The terms and conditions of such redemption shall be as follows:

a. The redemption price of the shares to be redeemed pursuant to this Article VII shall be equal to the lower of (i) the book value of the shares, on a fully diluted basis, to be redeemed as reflected on the financial statements of the Corporation for the most recently completed fiscal quarter or, (ii) if applicable, the sales price offered to the stockholder in the proposed Disqualifying Transfer, provided such offer is made in good faith, in an arm's length, non-collusive manner by a Person who is not related to or an Affiliate or Associate of the offeree stockholder.

b. If less than all the shares are to be redeemed from a Disqualified Person, or if less than all the shares which are the subject of a Disqualifying Transfer, are to be redeemed, the shares to be redeemed shall be selected in any manner determined by the Board of Directors, in their sole discretion, to be fair and equitable.

c. From and after the Redemption Date, shares to be redeemed shall cease to be regarded as outstanding and any and all rights attaching to such shares of whatever nature (including without limitation any rights to vote or participate in dividends or other distributions declared on stock of the same class or series as such shares) shall cease and terminate, and the holders thereof thenceforth shall be entitled only to receive the cash payable upon redemption.

The foregoing notwithstanding, the Corporation shall be permitted to redeem shares of the Capital Stock pursuant to the provisions of this paragraph 7 of this Article VII only if all necessary approvals, waivers and authorizations of, filings and registrations with, and notifications to, all applicable governmental authorities shall have been obtained or made and shall be in full force and effect and all applicable waiting periods shall have expired. In the event that any such approval, waiver or authorization shall not have been obtained, the Corporation shall have the right to assign the right of redemption provided for in this paragraph 7 of this Article VII to any Person or Persons who in its reasonable judgment are not Disqualified Persons, and such Person shall thereafter have the right to acquire such shares of the Capital Stock on the same terms as the Corporation, provided that the transfer of such shares to such assignee would not result in a Disqualifying Transfer.

8. SELECTIONS. Notwithstanding anything in these Articles of Incorporation to the contrary, the Board of Directors shall have the right, but shall not be required, to refuse to transfer any shares of the Capital Stock purportedly transferred if the proposed transferee shall refuse to deliver to the Corporation a duly and validly executed consent to be bound by the restrictions on transfer of Capital Stock set forth in these Articles of Incorporation, as amended from time to time.

9. BYLAWS. The Bylaws of the Corporation may make appropriate provisions to effectuate the requirements of this Article VII.

10. Factual Determinations. The Board of Directors shall have the power to construe and apply the provisions of this Article VII and to make all determinations necessary or desirable to implement such provisions, including but not limited to whether (a) the number of shares of voting stock that are beneficially owned by any Person; (b) whether a Person is an Affiliate or Associate of another person; (c) whether a Person has an agreement, arrangement or understanding with another Person as to matters bearing on beneficial ownership; (d) whether a Person is a Disqualified Person; (e) whether a transfer is a Disqualifying Transfer; (f) the application of any other definition of these Articles of Incorporation to a given fact; (g) book value of the shares of the Capital Stock; and (h) any other matter relating to the applicability or effect of this Article VII.

11. Restrictive Legend. In furtherance of the foregoing provisions of this Article VII, the Corporation shall be entitled to place on every certificate representing shares of the Capital Stock a legend which shall state that such shares are restricted as to transfer and shall set forth or fairly summarize such restrictions upon the certificates or shall state that the Corporation will furnish to any stockholder upon request and without charge a full statement of such restrictions.

12. Quorum. Shares of Capital Stock held by a Disqualified Person as agent and trustee pursuant to paragraph 4 of this Article VII shall not be counted for purposes of determining whether a quorum is present at any meeting of the stockholders of the Corporation or whether any requirement for stockholders has been satisfied.

13. Severability. If any paragraph or provision of this Article VII is determined to be invalid, void, illegal or unenforceable to any extent, then the remainder of such paragraph or provision and the remaining sections and provisions of this Article VII shall continue to be valid and enforceable and shall in no way be affected, impaired or invalidated by such invalidity, voidness, illegality or unenforceability.

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