

305557

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Merger

Filed 12-30-83, eff. 1-1-84

23 pgs.

MERGER

FLAGSHIP BANKS INC., a Florida Corporation
(Charter #232026)

-----Merging Into-----

SUN BANKS, INC., a Florida Corporation
(Charter # 305557)

Filing Date: December 30, 1983, Effective January 1, 1984.

Surviving Charter # 305557

305557

Charter 4 Only

305557

VALIDATION ONLY

REG. FEE 1/1/82
REG. FEE 1/1/82
REG. FEE 1/1/82

PATRICK T. CHRISTIANSEN

Requestor's Name

AKERMAN, SENTERFITT & EIDSON

Address

City: Orlando State: ZIP: Phone #:

CORPORATION(S) NAME

SUN BANKS, INC. 305557

(Articles of Merger of Flagship Banks Inc. into SUN BANKS, INC.)

- PROFIT
- NON-PROFIT
- FOREIGN
- LIMITED PARTNERSHIP
- REINSTATEMENT
- CERTIFIED COPY
- WALK IN
- AMENDMENT
- DISSOLUTION
- ANNUAL REPORT
- OTHER
- PHOTO COPIES
- WILL WAIT
- MERGER
- MARK
- RESERVATION
- CERTIFICATE UNDER SEAL
- PICK UP
- MAIL OUT
- CALL
- AFTER 4:30

CHARTER TAX STAMP

Name	<i>DJM</i>
Availability	<i>DJM</i>
Document Examiner	<i>DJM</i>
Updater	<i>MK</i>
Updater Verifier	<i>DJM</i>
Acknowledgment	<i>DJM</i>
W.P. Verifier	<i>DJM</i>

G. TAX	Articles of Merger (2 @ \$15.00)	\$ 30.00
FILING	Certified Copies	\$ 375.00
R. AGENT FEE		
TOTAL		\$ 405.00
N. BANK		
BALANCE DUE		
REFUND		

CORP 103 (8-82)

ARTICLES OF MERGER
OF
FLAGSHIP BANKS INC.
INTO
SUN BANKS, INC.

FILED
1983 DEC 30 PM 3:01
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Pursuant to the provisions of Section 607.224, of the Florida General Corporation Act (the "Act"), Sun Banks, Inc., a Florida corporation, and Flagship Banks Inc., a Florida corporation, do hereby adopt the following Articles of Merger:

FIRST: The names of the corporations which are parties to the merger (the "Merger") contemplated by these Articles of Merger are Sun Banks, Inc. and Flagship Banks Inc. Sun Banks, Inc. is the surviving corporation in the Merger.

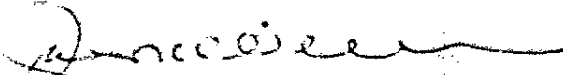
SECOND: The plan of merger is set forth in the Agreement of Merger between Sun Banks, Inc. and Flagship Banks Inc., dated as of June 1, 1983, as amended by Amendment No. 1 dated November 28, 1983 and by Amendment No. 2 dated December 16, 1983 (collectively the "Agreement of Merger"). An executed copy of the Agreement of Merger is attached hereto as Composite Exhibit A (pages 4 through 20) and made a part hereof by reference as if fully set forth herein.

THIRD: The plan of merger was adopted by the shareholders of Sun Banks, Inc. at a special meeting held on September 28, 1983, and by the shareholders of Flagship Banks Inc. at a special meeting held on September 28, 1983.

FOURTH: The Merger shall become effective at 12:01 A.M., Orlando, Florida time, on January 1, 1984, in accordance with the provisions of Section 607.231(2) of the Act.

IN WITNESS WHEREOF, the parties have caused these Articles of Merger to be executed as of this 27th day of December, 1983.

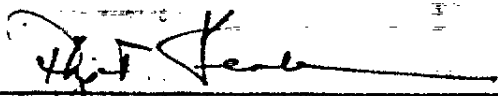
SUN BANKS, INC.

By: 
Joel R. Wells, Jr., President and
Chief Executive Officer

(CORPORATE SEAL)

By: 
Sandra E. Pricher, Secretary

FLAGSHIP BANKS INC.

By: 
Philip F. Searle, Chairman of the
Board and Chief Executive Officer

(CORPORATE SEAL)

By: 
C. Howard McNulty, Secretary

STATE OF FLORIDA

COUNTY OF ORANGE

I HEREBY CERTIFY that on this day, before me, an officer duly authorized to take acknowledgments, personally appeared Joel R. Wells, Jr., well known to me to be the President and Chief Executive Officer of Sun Banks, Inc., one of the corporations named in the foregoing instrument, and that he acknowledged executing the same, freely and voluntarily under the authority duly vested in him by said corporation, and that the seal affixed hereto is the true corporate seal of said corporation.

WITNESS, my hand and official seal in the County and State last aforesaid this 27th day of December, 1983.

Carole J. MacQueen
Notary Public

(NOTARIAL SEAL)

My Commission Expires:

NOTARY PUBLIC STATE OF FLORIDA AT LARGE
1983
COMMERCIAL LIABILITY CO.

STATE OF FLORIDA

COUNTY OF ORANGE

I HEREBY CERTIFY that on this day, before me, an officer duly authorized to take acknowledgments, personally appeared Philip F. Searle, well known to me to be the Chairman of the Board and Chief Executive Officer of Flagship Banks Inc., one of the corporations named in the foregoing instrument, and that he acknowledged executing the same, freely and voluntarily under the authority duly vested in him by said corporation, and that the seal affixed hereto is the true corporate seal of said corporation.

WITNESS, my hand and official seal in the County and State last aforesaid this 27th day of December, 1983.

Carole J. MacQueen
Notary Public

(NOTARIAL SEAL)

My Commission Expires:

NOTARY PUBLIC STATE OF FLORIDA AT LARGE
1983
COMMERCIAL LIABILITY CO.

AGREEMENT OF MERGER

This Agreement of Merger ("Merger Agreement") dated as of June 1, 1983 between SUN BANKS, INC., a Florida corporation ("Sun"), and FLAGSHIP BANKS, INC., a Florida corporation ("Flagship"), Sun and Flagship being hereinafter sometimes referred to as the "Constituent Corporations."

WITNESSETH

WHEREAS, Sun is a corporation organized and existing under the laws of the State of Florida that is registered as a bank holding company pursuant to the Bank Holding Company Act of 1956, as amended (the "BHC Act"), the authorized capital stock of which consists of 5,000,000 shares of preferred stock, no par value (the "Sun Preferred Stock"), of which, as of May 20, 1983, no shares were issued and outstanding, and 50,000,000 shares of common stock, par value \$2.50 a share (the "Sun Common Stock"), of which, as of May 20, 1983, 15,299,299 shares were issued and outstanding, and no shares had been reacquired by Sun and were held in its Treasury (the Sun Preferred Stock and the Sun Common Stock being hereinafter referred to collectively as the "Sun Capital Stock"); and

WHEREAS, Flagship is a corporation organized and existing under the laws of the State of Florida that is registered as a bank holding company pursuant to the BHC Act, the authorized capital stock of which consists of 2,000,000 shares of preferred stock, no par value (the "Flagship Preferred Stock"), of which, as of May 20, 1983, 746,107 shares of \$2.48 Cumulative Convertible Preferred Stock (the "Flagship \$2.48 Preferred Stock") were issued and outstanding, and no shares had been reacquired by Flagship and were held in its Treasury and 18,000,000 shares of common stock, par value \$1.00 per share (the "Flagship Common Stock") of which, as of May 20, 1983, 8,195,471 shares were issued and outstanding, and no shares had been reacquired by Flagship and were held in its Treasury (the Flagship Common Stock and the Flagship Preferred Stock being hereinafter referred to collectively as the "Flagship Capital Stock"), and

WHEREAS, the respective Boards of Directors of Sun and Flagship deem the Merger of Flagship into Sun under and pursuant to the terms and conditions herein set forth or referred to, desirable and in the best interests of the respective corporations and their respective shareholders, and the respective Boards of Directors of Sun and Flagship have adopted resolutions approving this Merger Agreement and an Agreement and Plan of Reorganization of even date herewith (the "Reorganization Agreement") and have directed that this Merger Agreement and the Reorganization Agreement be submitted to their respective shareholders for approval

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, and in accordance with the applicable provisions of the Florida General Corporation Act, the parties hereto do hereby agree as follows:

ARTICLE I

MERGER

On the Effective Date of the Merger (as defined in Article V hereof), Flagship shall be merged into Sun, which shall be the surviving corporation, and Sun on such date shall merge Flagship into itself (such merger being herein sometimes called the "Merger"). The corporate existence of Sun shall continue unaffected and unimpaired by the Merger and, as the surviving corporation, it shall continue to be governed by the laws of the State of Florida (Sun, as the surviving corporation in the Merger, being hereinafter sometimes referred to as the "Surviving Corporation").

ARTICLE II

ARTICLES OF INCORPORATION AND BY-LAWS

The Articles of Incorporation and the By-Laws of Sun on the Effective Date of the Merger shall be the Articles of Incorporation and By-Laws of the Surviving Corporation until altered, amended or repealed.

ARTICLE III
BOARD OF DIRECTORS

From and after the Effective Date of the Merger, the directors of the Surviving Corporation, who shall hold office until their successors are elected and qualified according to the By-Laws of the Surviving Corporation, shall be the same as the directors of Sun immediately prior to the Effective Date of the Merger.

ARTICLE IV.
CONVERSION AND EXCHANGE OF SHARES, ELECTION
RIGHTS, FRACTIONAL SHARES AND DIVIDENDS

1. *Conversion of Shares.* As of the Effective Date of the Merger, by virtue of the Merger and without any action on the part of the holder of any Flagship Share (meaning, as used in this Merger Agreement, unless otherwise specified, a share of Flagship Common Stock issued and outstanding immediately prior to the Effective Date of the Merger but excluding any shares held in the Treasury of Flagship and any shares as to which dissenters' appraisal rights have been validly exercised and perfected and for which cash is payable in accordance with applicable law) or the holder of any other security or option of Flagship:

(a) All issued and outstanding shares of Sun Capital Stock shall continue to be issued and outstanding shares of the Surviving Corporation. Each certificate of Sun evidencing ownership of any such shares shall continue to evidence ownership of the same number of shares of capital stock of the Surviving Corporation.

(b) All shares of Flagship Capital Stock (and any other Flagship securities convertible into or exercisable for Flagship Capital Stock) held immediately prior to the Effective Date of the Merger in the Treasury of Flagship shall be cancelled and retired as of the Effective Date of the Merger, and no cash, stock or other property shall be delivered in exchange therefor.

(c) Each Flagship Share shall be converted in the Merger into the right to receive (i) a multiple of a share of Sun Common Stock determined in accordance with Section 3(a) of this Article IV (a "Merger Share"); or (ii) an amount in cash equal to \$35.00 (a "Stipulated Payment"); or (iii) in the circumstances described in Section 5 of this Article IV, a combination of a portion of a Merger Share and a portion of a Stipulated Payment.

(d) Each share of Flagship \$2.48 Preferred Stock issued and outstanding immediately prior to the Effective Date of the Merger shall continue as and become, and be converted into, an issued and outstanding share of a new series of Sun Preferred Stock (the "New Sun Preferred") of the Surviving Corporation in accordance with a Certificate of the Designations, Preferences, Rights and Limitations (the "Sun Designation Statement") to be filed with the Florida Secretary of State by Sun prior to the Effective Date of the Merger which shall have the same provisions as the Certificate of the Designations, Preferences, Rights and Limitations of the \$2.48 Cumulative Convertible Preferred Stock filed by Flagship on October 30, 1980 with the Florida Secretary of State pursuant to Section 607.047, Florida Statutes (the "Flagship \$2.48 Preferred Stock Statement") except that (i) in each place in the Flagship \$2.48 Preferred Stock Statement that Flagship or Flagship Common Stock is referred to, the Sun Designation Statement shall refer to Sun or Sun Common Stock as the case may be, (ii) each share of New Sun Preferred shall be convertible in accordance with the provisions of Section 2 of Article VI hereof and (iii) the Sun Designation Statement will cover only the number of shares of Flagship \$2.48 Preferred Stock outstanding immediately prior to the Effective Date of the Merger. Each certificate evidencing ownership of any shares of Flagship \$2.48 Preferred Stock shall continue to evidence ownership of the same number of shares of New Sun Preferred.

(e) Each stock purchase warrant (a "Flagship Warrant") to subscribe for and purchase Flagship Common Stock issued in accordance with the terms of that certain Purchase Agreement dated March 10, 1978 between Flagship and each purchaser of such warrant, which is issued and outstanding immediately

prior to the Effective Date of the Merger, shall continue as an issued and outstanding warrant of the Surviving Corporation in accordance with the terms of said Purchase Agreement and the terms of each Flagship Warrant (collectively the "Flagship Warrant Documents"); provided, however, that from and after the Effective Date of the Merger, the holder of each Flagship Warrant shall have the right to exercise each such Flagship Warrant as set forth in Section 2 of Article VI hereof. Each certificate or document evidencing ownership of any such Flagship Warrants shall continue to evidence ownership of the equivalent number of warrants of the Surviving Corporation in accordance with the Flagship Warrant Documents subject, however, to the provisions of Section 2 of Article VI hereof.

(f) Subject to Section 2 of Article VI hereof, each option (a "Flagship Stock Option" or a "Flagship Incentive Option" respectively) granted by Flagship to directors, officers and employees of Flagship or its subsidiaries pursuant to the Flagship Stock Option Plan as amended November 24, 1981 (the "Flagship Option Plan") or pursuant to the Flagship Incentive Stock Option Plan effective as of April 26, 1983 (the "Flagship Incentive Plan") which is issued and outstanding immediately prior to the Effective Date of the Merger, shall be assumed by, and continue as an issued and outstanding option of, the Surviving Corporation in accordance with the terms and conditions of said Flagship Option Plan and Flagship Incentive Plan, respectively, as in effect immediately prior to the Effective Date of the Merger; provided, however, the holder of each Flagship Stock Option and Flagship Incentive Option shall have the right to exercise each such option to acquire only Sun Common Stock in accordance with the provisions of Section 2 of Article VI hereof, it being intended that the assumed options, as set forth herein, shall not give to the holder thereof any benefits additional to those which such holder had prior to such assumption under the option as originally granted by Flagship so that the assumed options will comply with the requirements of Section 425(a) of the Internal Revenue Code of 1954, as amended (the "Code"). Each certificate or document evidencing ownership of any such Flagship Stock Options or Flagship Incentive Options shall continue to evidence ownership of the equivalent number and type of options of the surviving Corporation in accordance with the Flagship Option Plan or Flagship Incentive Plan, respectively, as in effect immediately prior to the Effective Date of the Merger, subject, however, to the provisions of Section 2 of Article VI hereof.

(g) Subject to Section 2 of Article VI hereof, each option (a "Flagship Employee Option") granted by Flagship to eligible employees of Flagship or its subsidiaries pursuant to the Flagship Employee Stock Purchase Plan as amended April 28, 1981 (the "Flagship Employee Plan") which is issued and outstanding immediately prior to the Effective Date of the Merger shall be assumed by, and continue to be an issued and outstanding option of, the Surviving Corporation in accordance with the terms of said Flagship Employee Plan as in effect immediately prior to the Effective Date of the Merger notwithstanding the provisions of such Plan which contemplate the termination of such Plan in the event of a merger such as contemplated herein; provided, however, that from and after the Effective Date of the Merger, the holder of each Flagship Employee Option shall have the right to exercise each such Flagship Employee Option to acquire only Sun Common Stock in accordance with the provisions of Section 2 of Article VI hereof, it being intended that the assumed options, as set forth herein, shall not give to the holder thereof any benefits additional to those which such holder had prior to such assumption under the option as originally granted by Flagship so that the assumed option will comply with the requirements of Section 425(a) of the Code, and, provided further, that all Flagship Employee Options not exercised or otherwise cancelled under the Flagship Employee Plan prior to February 1, 1984 shall be cancelled as of 12:01 A.M. on February 1, 1984. Each certificate or document evidencing ownership of any such Flagship Employee Options shall continue to evidence ownership of the equivalent number and type of options of the Surviving Corporation in accordance with the Flagship Employee Plan as in effect immediately prior to the Effective Date of the Merger, subject, however, to the provisions of Section 2 of Article VI hereof.

2. *Election of Merger Shares and Stipulated Payments.* Subject to the terms and conditions hereof, each holder of a share of Flagship Common Stock and each holder of a Flagship Warrant on the Election Deadline (as hereinafter defined) (including each such holder of Flagship Common Stock who has, prior to the Election Deadline, acquired such Flagship Common Stock pursuant to conversion or exercise, as the case may be, of any

Flagship \$2.48 Preferred Stock, Flagship Warrant, Flagship Stock Option, Flagship Incentive Option or Flagship Employee Option) may elect (either unconditionally or conditionally as set forth below), subject to the allocation provisions of Section 5 of this Article IV, to receive Merger Shares or Stipulated Payments by specifying in an election made in accordance with Section 4 hereof (an "Election") that such holder elects

(a) To have all of the Flagship Shares owned by such holder converted into the right to receive Merger Shares in the Merger and to have all of the Flagship Warrants owned by such holder exercisable into Merger Shares if and when exercised after the Effective Date of the Merger (an "Unconditional Stock Election"); or

(b) To have all of the Flagship Shares owned by such holder converted into the right to receive Merger Shares pursuant to this Merger, but only upon the condition that such holder not receive any combination of Merger Shares and Stipulated Payments for such Flagship Shares, and to have all of the Flagship Warrants owned by such holder exercisable into Merger Shares if and when exercised after the Effective Date of the Merger, but only upon the condition that such holder not receive upon any such exercise of the Flagship Warrants, any combination of Merger Shares and Stipulated Payments (a "Conditional Stock Election"); or

(c) To have all of the Flagship Shares owned by such holder converted into the right to receive Stipulated Payments pursuant to the Merger and to have all of the Flagship Warrants owned by such holder exercisable into Stipulated Payments if and when exercised after the Effective Date of the Merger (an "Unconditional Cash Election"); or

(d) To have all of the Flagship Shares owned by such holder converted into the right to receive Stipulated Payments pursuant to the Merger, but only upon the condition that such holder not receive any combination of Stipulated Payments and Merger Shares for such Flagship Shares, and to have all of the Flagship Warrants owned by such holder exercisable into Stipulated Payments if and when exercised after the Effective Date of the Merger, but only upon the condition that such holder not receive upon any such exercise of the Flagship Warrants any combination of Merger Shares and Stipulated Payments (a "Conditional Cash Election").

Flagship Shares and Flagship Warrants as to which an Election is made in accordance with this Section 2 and not revoked before the Election Deadline are hereinafter referred to as "Unconditional Stock Election Shares" in the case of an Unconditional Stock Election, "Conditional Stock Election Shares" in the case of a Conditional Stock Election, "Unconditional Cash Election Shares" in the case of an Unconditional Cash Election, and "Conditional Cash Election Shares" in the case of a Conditional Cash Election; provided that, for purposes of this Merger Agreement, the number of Unconditional Stock Election Shares, Conditional Stock Election Shares, Unconditional Cash Election Shares and Conditional Cash Election Shares which are Flagship Warrants of any holder shall be the number of shares of Flagship Common Stock into which such Flagship Warrants are exercisable. All Elections will be honored up to, but only up to, the number of Stock-Available Shares and the number of Cash-Available Shares, as those terms are defined in Sections 3(c) and (d) hereof, respectively, and shall be subject to the allocation provisions of Section 5 of this Article IV.

3. Merger Shares, Stipulated Payments, Stock-Available Shares and Cash-Available Shares.

(a) *Merger Shares.* For purposes of this Agreement, a Merger Share shall mean a multiple (the "Sun Multiple") of a share of Sun Common Stock (rounded to three decimal places) which equals the quotient obtained by dividing \$35.00 by: (i) if the shares of Sun Common Stock are listed for trading on the New York Stock Exchange ("NYSE"), the average of the daily closing consolidated trading sales prices for the shares of Sun Common Stock (as reported from the NYSE Composite Transactions Tape) for the twenty consecutive full trading days on which such shares are actually traded on the NYSE ending at the close of trading on the fourth trading day immediately preceding the Effective Date of the Merger, or (ii) in the event that during the period immediately preceding the Effective Date of the Merger, the shares of Sun Common Stock are not listed for trading on the NYSE, the average of the closing (last) prices for Sun Common Stock as quoted from the National Association of Security Dealers Automated Quotations

("NASDAQ") National Market System for the twenty consecutive full trading days on which NASDAQ quotations for Sun Common Stock are available ("NASDAQ Days"), ending at the close of trading on the fourth NASDAQ Day immediately preceding the Effective Date of the Merger, (the "Pricing Period"), such multiple to be adjusted downward to 1.35 or upward to 1.05 if the multiple calculated as provided in the first clause of this sentence under (i) or (ii), would otherwise be greater or smaller than 1.35 or 1.05, respectively.

(b) *Stipulated Payment.* The Stipulated Payment shall equal \$35.00 in cash.

(c) *Stock-Available Shares.* Flagship Shares, in a number equal to (or as nearly equal to as may be practicable) the number of Stock-Available Shares (less the number of Stock-Available Shares to be issued pursuant to this Merger Agreement upon the exercise of Flagship Warrants after the Effective Date of the Merger) shall be converted in the Merger into the right to receive Merger Shares. The total number of Stock-Available Shares shall be a number equal to the lesser of (i) 60% of the sum of (y) the number of shares of Flagship Common Stock issued and outstanding immediately prior to the Effective Date of the Merger and (z) the number of shares of Flagship Common Stock which would be issued if all the Flagship Warrants remaining outstanding immediately prior to the Effective Date of the Merger were instead exercised prior to the Effective Date of the Merger, (collectively the "Outstanding Flagship Shares"), and (ii) if Sun so elects by written notice given to Flagship on or before the day immediately preceding the first day of the Pricing Period, 55% of the Outstanding Flagship Shares.

(d) *Cash-Available Shares.* Flagship Shares, in a number equal to (or as nearly equal to as may be practicable, but not more than) the number of Cash-Available Shares (less the number of Cash-Available Shares to be issued pursuant to this Merger Agreement upon exercise of Flagship Warrants after the Effective Date of the Merger), shall be converted in the Merger into the right to receive Stipulated Payments. The number of Cash-Available Shares shall be a number equal to the greater of (i) 40% of the Outstanding Flagship Shares, and (ii) if Sun elects to decrease the number of Stock-Available Shares in accordance with Section 3(c)(ii) above, 45% of the Outstanding Flagship Shares.

4. Procedure for Election.

(a) Flagship shall enter into an agreement with a national banking association or a bank or trust company incorporated under the laws of a state of the United States, deposits in which are insured by the Federal Deposit Insurance Corporation, satisfactory to Sun, pursuant to which such national banking association, bank or trust company shall agree to act as agent (the "Election Agent") for holders of the Flagship Common Stock and the holders of Flagship Warrants in connection with the Elections.

(b) On such date as Sun selects after the date on which the shareholders of Flagship have approved the Merger but not later than twenty days prior to the Effective Date of the Merger, (the "Election Commencement Date") a form of election (the "Form of Election") pursuant to which each holder of Flagship Common Stock and Flagship Warrants may make an Election shall be mailed by the Election Agent to each record holder of Flagship Common Stock and Flagship Warrants as of a record date as close as practicable to the date of mailing and, between such date of mailing and the Election Deadline (as defined in Section 4(c) hereof), copies of such form shall otherwise be made available by Sun and Flagship upon reasonable request by holders of Flagship Common Stock and Flagship Warrants. In addition Flagship shall use its reasonable efforts to make the Form of Election available to all persons who become holders of record of Flagship Common Stock or Flagship Warrants between such record date and the Election Deadline (as defined in Section 4(c)).

(c) Subject to the terms of Section 4(i) hereof, an Election shall have been validly made by a holder of Flagship Common Stock and Flagship Warrants only if (i) the Election Agent shall have received a Form of Election or facsimile thereof properly completed and executed by such holder, accompanied in the case of Flagship Common Stock by a certificate or certificates representing the Flagship Common Stock as to which such Election is being made, duly endorsed in blank or otherwise in form acceptable for transfer on the books of Flagship or containing an appropriate guaranty of delivery in the form customarily used in

transactions of this nature from a member of a national securities exchange or a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company located in the United States, and (u) such Form of Election shall have been received by the Election Agent prior to a date and time as selected by Sun (the "Election Deadline"); provided, however, that the Election Deadline may not be less than twenty days after the Election Commencement Date.

(d) Any holder of Flagship Common Stock and Flagship Warrants who has made an Election may at any time prior to the Election Deadline change the Election by submitting to the Election Agent a revised Form of Election, properly completed and signed, that is received by the Election Agent prior to the Election Deadline.

(e) Any holder of Flagship Common Stock and Flagship Warrants may, at any time prior to and including the later of the following dates (the "Withdrawal Date"): (i) the date immediately following the date of the order of the Federal Reserve Board approving the Merger or (ii) the Election Deadline, revoke his Election (and in the case of Flagship Common Stock withdraw certificates for Flagship Common Stock deposited therewith) by written notice to the Election Agent received on or before the Withdrawal Date. If (i) any holder of a Flagship Warrant shall have made a valid Election with respect to such Flagship Warrant and (ii) prior to the Effective Date of the Merger, such holder of such Flagship Warrant exercises such Flagship Warrant in whole or in part, then the Election made by such holder of a Flagship Warrant shall be applicable to the shares of Flagship Common Stock received upon such exercise as well as any part of such Flagship Warrant not so exercised. In the event the Merger, the Reorganization Agreement and this Merger Agreement are terminated, any certificates deposited by a holder of Flagship Common Stock with the Election Agent shall be promptly returned to such holder at the address and to the person set forth in the Form of Election.

(f) Except as set forth in subsection (g) and subject to the procedures for revocation or change of Election set forth in subsections (d) and (e) of this Section, no record holder of Flagship Common Stock or Flagship Warrants shall be entitled to make more than one type of Election (as set forth in Section 2 of this Article) with respect to the shares of Flagship Common Stock and/or Flagship Warrants held by that holder.

(g) Record holders of Flagship Common Stock or Flagship Warrants who are nominees may submit a separate Form of Election for each beneficial owner for whom such record holder is a nominee indicating thereon an Election covering up to the aggregate number of shares of Flagship Common Stock and Flagship Warrants owned by such record holder; provided, however, that upon the request of Sun, such record holder shall certify to the satisfaction of Sun that such record holder holds such Flagship Common Stock and Flagship Warrants as nominee for the beneficial owners thereof. For purposes of the provisions of this Merger Agreement, each beneficial owner for which such a Form of Election is so submitted will be treated as a separate holder of Flagship Common Stock and Flagship Warrants.

(h) Two or more holders of Flagship Common Stock or Flagship Warrants who are deemed to constructively own the Flagship Common Stock or Flagship Warrants owned by each other by virtue of Section 318(a) of the Code, and who so certify to Sun's satisfaction (a "Group Holder"), and any single holder who holds Flagship Common Stock or Flagship Warrants in two or more different names and who so certifies to Sun's satisfaction (a "Single Holder"), may submit a joint Form of Election covering the aggregate number of shares of Flagship Common Stock and Flagship Warrants owned by all such holders or by such single holder, as the case may be. For purposes of the allocation provisions of Section 5 hereof, each Group Holder, and each Single Holder who submits a joint Form of Election shall be treated as a single holder of Flagship Shares and Flagship Warrants.

(i) Sun shall have the right to make reasonable determinations and establish reasonable procedures, not inconsistent with the terms of this Merger Agreement, governing all matters in connection with this Merger Agreement, including, but not limited to, the validity of Elections (including any reasonable alterations in the procedure for Elections referred to in Section 4(c) hereof), the manner and extent to which Elections are to be taken into account in making the allocation determinations prescribed by Section 5 hereof, the issuance and delivery of certificates for shares of Sun Common Stock into which Flagship

Shares are converted or for which Flagship Warrants are exercised pursuant to this Merger Agreement and the payment for Flagship Shares or Flagship Warrants converted into or exercised for the right to receive Stipulated Payments pursuant to this Merger Agreement; provided, however, the twenty day period set forth in subsection (c) above may not be shortened to less than twenty days.

5. Allocation.

(a) Each holder of Flagship Shares shall have the right to receive upon the Merger, and each holder of Flagship Warrants shall have the right to receive upon the exercise of such Flagship Warrants following the Effective Date of the Merger, all as determined in accordance with this Section 5, (i) the largest whole number of shares of Sun Common Stock represented by the number of Merger Shares into which such holder's Flagship Shares shall be converted in the Merger and/or such holder's Flagship Warrants are exercisable following the Effective Date of the Merger (plus cash for fractional shares of Sun Common Stock as set forth in Section 6(b) below), (ii) the aggregate amount of Stipulated Payments into which the Flagship Shares of such holder shall be converted in the Merger and/or such holder's Flagship Warrants are exercisable following the Effective Date of the Merger, or (iii) in the circumstances described in this Section 5, a combination of Merger Shares and Stipulated Payments.

(b) The selection of Flagship Shares to be converted into the right to receive Merger Shares and/or Stipulated Payments and of Flagship Warrants to be exercisable into Merger Shares and/or Stipulated Payments shall be made on the Allocation Date (as hereinafter defined), as follows:

(i) *Merger Shares.* If the aggregate number of Unconditional Stock Election Shares:

(y) Is less than or equal to the Stock-Available Shares, then all Unconditional Stock Election Shares shall be converted into the right to receive, or be exercisable into (as the case may be), Merger Shares; or

(z) Exceeds the Stock-Available Shares, then the Stock-Available Shares shall be prorated among the total number of Unconditional Stock Election Shares, and Flagship Shares and Flagship Warrants covered by each Unconditional Stock Election shall be converted into, or be exercisable into (as the case may be), the number of Merger Shares and Stipulated Payments as shall be determined pursuant to such proration.

In the event that the number of Stock-Available Shares exceeds the aggregate number of Unconditional Stock Election Shares, the remainder of the Stock-Available Shares shall be applied among the holders, as a class, of Conditional Stock Election Shares; provided, however, that if such remainder is insufficient to fully satisfy all Conditional Stock Elections, the Election Agent shall select by lot or other reasonable procedures those holders against whose Conditional Stock Election Shares such remaining Stock-Available Shares shall be applied; and provided further, that no such holder shall receive both Merger Shares and Stipulated Payments for such holder's Conditional Election Shares. All Conditional Stock Election Shares to which the Stock-Available Shares are so applied shall be converted into the right to receive, or be exercisable into (as the case may be), Merger Shares. All or any part of any Unconditional Stock Election Shares and all Conditional Stock Election Shares not converted into the right to receive, or exercisable into (as the case may be), Merger Shares shall be converted into the right to receive, or be exercisable into (as the case may be), Stipulated Payments.

(ii) *Stipulated Payments.* If the aggregate number of Unconditional Cash Election Shares:

(y) Is less than or equal to the Cash-Available Shares, then all Unconditional Cash Election Shares shall be converted into the right to receive, or be exercisable into (as the case may be), Stipulated Payments; or

(z) Exceeds the Cash-Available Shares, then the Cash-Available Shares shall be prorated among the total number of Unconditional Cash Election Shares, and Flagship Shares and Flagship Warrants covered by each Unconditional Cash Election shall be converted into the right to receive, or be exercisable into (as the case may be), such Stipulated Payments and Merger Shares as shall be determined pursuant to such proration.

In the event that the number of Cash-Available Shares exceeds the aggregate number of Unconditional Cash Election Shares, the remainder of the Cash-Available Shares shall be applied among the holders, as a class, of Conditional Cash Election Shares; provided, however, that if such remainder is insufficient to fully satisfy all Conditional Cash Elections, the Election Agent shall select by lot or other reasonable procedure those holders against whose Conditional Cash Election Shares such remaining Cash-Available Shares shall be applied, and provided further, that no such holder shall receive both Merger Shares and Stipulated Payments for such holder's Conditional Cash Election Shares. All Conditional Cash Election Shares to which the Cash-Available Shares are so applied shall be converted into the right to receive, or be exercisable into (as the case may be), Stipulated Payments. All or any part of any Unconditional Cash Election Shares and Conditional Cash Election Shares not converted into the right to receive Stipulated Payments shall be converted into the right to receive, or exercisable into (as the case may be), Merger Shares.

(iii) *Non-Electing Shareholders.* The following shall all be deemed to be "Non-Electing Shares":

(a) Any Flagship Common Stock with respect to which there is no valid Election as of the Election Deadline;

(b) Any Flagship Common Stock acquired by the exercise subsequent to the Election Deadline of a Flagship Warrant with respect to which there is no valid Election as of the Election Deadline;

(c) Any Flagship Warrants with respect to which there is no valid Election as of the Election Deadline, provided that for purposes of this Merger Agreement, the number of Non-Electing Shares which are Flagship Warrants of any holder, shall be the number of shares of Flagship Common Stock into which such Flagship Warrants are exercisable; and

(d) Any Flagship Common Stock acquired by the conversion subsequent to the Election Deadline of any shares of Flagship \$2.48 Preferred Stock or the exercise subsequent to the Election Deadline of any Flagship Stock Options, Flagship Incentive Options or Flagship Employee Options.

All Non-Electing Shares which are Flagship Shares shall be converted as of the Effective Date of the Merger, and all Non-Electing Shares which are Flagship Warrants shall be exercisable following the Effective Date of the Merger, into:

(x) Merger Shares if the aggregate number of Non-Electing Shares plus Unconditional Stock Election Shares plus Conditional Stock Election Shares is less than or equal to the number of Stock-Available Shares; or

(y) Stipulated Payments if the aggregate number of Non-Electing Shares plus Unconditional Cash Election Shares plus Conditional Cash Election Shares is less than or equal to the number of Cash-Available Shares; or

(z) In the event neither (x) nor (y) of this Section 5(b)(iii) applies, the Election Agent shall select by lot or other reasonable procedure which of the holders of Non-Electing Shares shall have their Non-Electing Shares converted or exercisable into Stipulated Payments, and such selection by lot shall cease when the aggregate number of Non-Electing Shares to be so converted plus Unconditional Cash Election Shares plus Conditional Cash Election Shares is less than, but as close as practicable to, the number of Cash-Available Shares. All other Non-Electing Shares shall be converted or exercisable into (as the case may be) Merger Shares.

(c) In effecting the selection by lot or other procedure provided in this Section 5, no Conditional Cash Election Shares or Non-Electing Shares of any holder will be selected for conversion into the right to receive, or to be exercisable into (as the case may be), Stipulated Payments if the effect of so converting or exercising (as the case may be) the Conditional Cash Election Shares or Non-Electing Shares of such holder would be to exceed the number of the remaining Cash-Available Shares. In such event, the Conditional Cash Election Shares or Non-Electing Shares, as the case may be, of such holder will not be so selected, and the Conditional Cash Election Shares or Non-Electing Shares of one or more other holders, as

the case may be, will be selected so as to apply, as nearly as practicable, all (but not more than) the Cash Available Shares.

(d) The Allocation Date shall be the Effective Date of the Merger or the earliest practicable date, not more than ten business days thereafter, as determined by Sun.

6. Distribution of Stipulated Payments and Merger Shares.

(a) *Delivery of Stipulated Payments.* The Surviving Corporation shall on the Allocation Date deposit with the Election Agent an amount in cash as necessary for the purposes hereof. As soon as practicable on or after the Allocation Date, there shall be distributed to each holder of Flagship Shares converted into the right to receive Stipulated Payments upon surrender to the Election Agent (to the extent not previously surrendered with a Form of Election) of one or more certificates for such Flagship Shares for cancellation, a check for an amount equal to the Stipulated Payment times the number of Flagship Shares of such holder so converted and previously represented by the stock certificate or certificates surrendered. In no event shall the holder of any such surrendered certificate or certificates be entitled to receive interest on the Stipulated Payment. If such check is to be sent to a person other than the person in whose name the certificate or certificates for Flagship Shares surrendered is or are registered, it shall be a condition to the mailing of such check that the person requesting it pay to the Election Agent any transfer or other taxes required by reason of the delivery of such check to a person other than the registered holder of the certificate or certificates surrendered, or shall establish to the satisfaction of the Election Agent that such tax has been paid or is not applicable. Notwithstanding the foregoing, neither the Election Agent nor any party hereto shall be liable to a holder of Flagship Shares for any amount paid in good faith to a public official pursuant to any applicable abandoned property, escheat or similar law.

(b) *Distribution of Merger Shares.* As soon as practicable on or after the Allocation Date, there shall be issued, as of the Effective Date of the Merger, to each holder of Flagship Shares converted into the right to receive Merger Shares upon surrender to the Election Agent (to the extent not previously surrendered with the Form of Election) of one or more certificates for such Flagship Shares for cancellation, a certificate or certificates representing the number of shares of Sun Common Stock into which such Flagship Shares have been so converted and previously represented by the stock certificate or certificates surrendered. Certificates representing such shares of Sun Common Stock shall be mailed to the holders thereof as soon as practicable on or after the Allocation Date. Neither certificates for fractions of shares of Sun Common Stock nor scrip certificates for such fractions shall be issued, and holders of certificates who would, but for this Section, be entitled to receive fractions of shares will have none of the rights with respect to such fractions of shares (including, without limitation, the right to receive dividends) which a holder of a full share of Sun Common Stock will possess in respect of such full share, and shall receive in lieu of a fraction of a share of Sun Common Stock a cash payment therefor determined on the basis of the value of such fraction of a share of Sun Common Stock specified and determined in accordance with Section 3(a) of this Article IV. If more than one certificate shall be surrendered at one time and in one transmittal package for the same shareholder account, the number of full shares of Sun Common Stock for which certificates shall be issued pursuant to this Article IV shall be computed on the basis of the aggregate number of shares represented by the certificates so surrendered and all of said certificates shall be deemed to be one single certificate. If any certificate for such Sun Common Stock is to be issued in a name other than that in which the certificate for Flagship Shares surrendered in exchange therefor is registered, it shall be a condition of such exchange that the person requesting such exchange shall pay to the Election Agent any transfer or other taxes required by reason of the issuance of certificates for Sun Common Stock in a name other than that of the registered holder of the certificates surrendered, or shall establish to the satisfaction of the Election Agent that such tax has been paid or is not applicable. Notwithstanding the foregoing, neither the Election Agent nor any party hereto shall be liable to a holder of Flagship Shares for any Sun Common Stock or dividends thereon delivered in good faith to a public official pursuant to any applicable abandoned property, escheat or similar law.

(c) *Closing of Stock Transfer Books.* At the close of business on the business day immediately preceding the Effective Date of the Merger, the stock transfer books of Flagship shall be closed and no transfer of Flagship Shares shall thereafter be made.

ARTICLE V
EFFECTIVE DATE OF MERGER

Following the satisfaction or permissible waiver of all conditions precedent to the Merger specified in the Reorganization Agreement and this Merger Agreement, the Merger shall become effective, unless Sun selects an earlier date, at 12:01 A.M., Orlando, Florida time, on the first day of the calendar month or calendar quarter (as selected by Sun) immediately following the date of the filing of articles of merger reflecting this Merger Agreement in accordance with the Florida General Corporation Act (such date and time of such filing being herein referred to as the "Effective Date of the Merger").

ARTICLE VI
RIGHTS AND OBLIGATIONS AND FURTHER ASSURANCES

1. *Rights and Obligations.* On the Effective Date of the Merger, the separate existence of Flagship shall cease, and the Surviving Corporation shall possess all the rights, privileges, immunities and franchises as well of a public as of a private nature, and be subject to all the duties and liabilities of the Constituent Corporations, and all and singular, the rights, privileges, immunities and franchises of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to the Constituent Corporations on whatever account, including, without limiting the generality of the foregoing, subscriptions to shares, and all other choses in action and all and every other interest of or belonging to or due to the Constituent Corporations, shall be taken and deemed to be transferred to and vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate, or any interest therein, vested by deed or otherwise in the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger; provided, however, that all rights of creditors and all liens upon any property of the Constituent Corporations shall be preserved unimpaired, and all liabilities and obligations of the Constituent Corporations shall henceforth attach to the Surviving Corporation and may be enforced against the Surviving Corporation to the same extent as if said liabilities and obligations had been incurred or contracted by the Surviving Corporation. Any claim existing or action or proceeding, whether civil, criminal or administrative, pending by or against either Constituent Corporation may be prosecuted to judgment or decree as if the Merger had not taken place, or the Surviving Corporation may be substituted in such action or proceeding.

2. *Conversion and Exercise After Merger.*

(a) If not redeemed by Flagship prior to the Effective Date of the Merger, the Surviving Corporation agrees that subject to the limitations of subsection (b) below, the holder of each share of Flagship \$2.48 Preferred Stock issued and outstanding immediately prior to the Effective Date of the Merger, shall have the right as a holder of New Sun Preferred in accordance with the Sun Designation Statement and this Agreement but subject to the limitations hereafter set forth in this Section 2, to convert each such share of New Sun Preferred into the number of shares of Sun Common Stock (subject to any adjustments in the Conversion Rate set forth in the Sun Designation Statement) or amount of Stipulated Payments (as such holder may select, subject to the limitations set forth in subsection (b) below) that such holder would have received pursuant to Article IV hereof if the shares of Flagship \$2.48 Preferred Stock held by such holder had been converted in accordance with the Preferred Stock Statement immediately preceding the Effective Date of the Merger into Flagship Shares (without regard to the limitation in Article IV as to the amount of Sun Common Stock or Stipulated Payments to be issued in respect of Flagship Shares and Flagship Warrants); and the aforesaid right of conversion shall be in lieu of those set forth in the Flagship \$2.48 Preferred Stock Statement.

(b) If the Flagship \$2.48 Preferred Stock is not redeemed by Flagship prior to the Effective Date of the Merger, in no event shall the Surviving Corporation be required to issue after the Effective Date of the

Merger, upon conversion of the New Sun Preferred considered as one class, (without regard to the limitation in Article IV as to the amount of Sun Common Stock or Stipulated Payments to be issued in respect of Flagship Shares and Flagship Warrants) (i) Sun Common Stock in excess of the product of 60% (55% if Sun has made the election in Section 3(c)(ii) of Article IV hereof) times a Merger Share times the number of Flagship Shares into or for which the aggregate number of shares of Flagship \$2.48 Preferred Stock outstanding immediately preceding the Effective Date of the Merger could have been converted immediately prior to the Effective Date of the Merger (adjusted in accordance with any adjustments in the Conversion Rate set forth in the Sun Designation Statement), or (ii) Stipulated Payments in excess of the product of 40% (45% if Sun has made the election under Section 3(c)(ii) of Article IV hereof) times \$35.00 times the aggregate number of such shares of Flagship Common Stock into which the Flagship \$2.48 Preferred Stock could have been converted immediately preceding the Effective Date of the Merger. Holders of shares of Flagship \$2.48 Preferred Stock shall have the right to elect to receive Stipulated Payments or Merger Shares, but not both, upon conversion within such limits on a first-to-convert basis; provided, however, that if upon any conversion one of the limits set forth in the preceding sentence is exceeded or if two or more holders of shares of Flagship \$2.48 Preferred Stock convert at the same time and make the same election and one of the limits set forth above is exceeded, such holders shall receive Stipulated Payments and Merger Shares on a pro rata basis.

(c) The Surviving Corporation further agrees that the holder of each Flagship Warrant in existence immediately prior to the Effective Date of the Merger, shall have the right thereafter in accordance with the Flagship Warrant Documents (including the provisions therein pertaining to adjustments to the Warrant Purchase Price) and this Agreement, but subject to the limitations set forth herein, to exercise the Flagship Warrants to acquire, in lieu of Flagship Common Stock, Merger Shares or Stipulated Payments, or a combination thereof. The determination of whether any Flagship Warrant shall be exercisable to acquire Merger Shares or Stipulated Payments, or a combination thereof, shall be made in accordance with the election procedure set forth in Article IV hereof.

(d) The Surviving Corporation further agrees that the holder of each Flagship Stock Option and Flagship Incentive Option which is outstanding immediately prior to the Effective Date of the Merger, shall have the right after the Effective Date of the Merger, to acquire, pursuant to such Flagship Stock Option or Flagship Incentive Option, a number of shares of Sun Common Stock equal to the product (rounded down to the next whole share) of (i) the number of shares of Flagship Common Stock covered by such Flagship Stock Option or Flagship Incentive Option immediately prior to the Effective Date of the Merger and (ii) the Sun Multiple, and the exercise price per share of Sun Common Stock at which such Flagship Stock Option or Flagship Incentive Option is exercisable shall be an amount (rounded up to the next whole cent) computed by dividing (i) the option price per share of Flagship Common Stock at which such Flagship Stock Option or Flagship Incentive Option is exercisable immediately prior to the Effective Date of Merger by (ii) the Sun Multiple. Notwithstanding any other provision of this subsection (d) to the contrary, as to employees of Flagship subsidiaries or offices or portions thereof which are divested in connection with the Merger, outstanding options granted pursuant to the Flagship Option Plan and the Flagship Incentive Plan shall terminate as of the Effective Date of the Merger and Sun or Flagship, at the direction of Sun, shall pay immediately prior to the Effective Date of the Merger, each such optionee with respect to each outstanding option an amount equal to the average of the closing (last) prices for the shares of Flagship Common Stock as quoted by the NASDAQ National Market System for the twenty consecutive full trading days on which NASDAQ quotations for Flagship Common Stock are available ending at the close of trading on the fourth NASDAQ Day immediately preceding the Effective Date of the Merger, less the optionee's exercise price, as set forth in his option, times the number of shares of Flagship Common Stock covered by such option.

(e) The Surviving Corporation further agrees that the holder of each Flagship Employee Option which is outstanding immediately prior to the Effective Date of the Merger, shall have the right after the Effective Date of the Merger to acquire, pursuant to such Flagship Employee Option a number of shares of Sun Common Stock equal to the product (rounded down to the next whole share) of (i) the number of shares of Flagship Common Stock covered by such Flagship Employee Option immediately prior to the Effective

Date of the Merger and (ii) the Sun Multiple, and the exercise price per share of Sun Common Stock at which such Flagship Employee Option is exercisable shall be an amount (rounded up to the next whole cent) computed by dividing (i) the option price per share of Flagship Common Stock at which such Flagship Employee Option is exercisable immediately prior to the Effective Date of Merger by (ii) the Sun Multiple; provided, however, all Flagship Employee Options not exercised or otherwise cancelled under the Flagship Employee Plan prior to February 1, 1984 shall be cancelled as of 12:01 a.m. on February 1, 1984. Notwithstanding any other provision of this subsection (e) to the contrary, as to employees of Flagship subsidiaries which are divested between the date hereof and February 1, 1984, the Flagship Employee Plan shall terminate as of the Effective Date of the Merger and Flagship shall comply with the provisions of paragraph 11 of said Flagship Employee Plan and notify each such optionee of his right, immediately prior to the Effective Date of the Merger, to exercise his option pursuant to the Flagship Employee Plan.

3. *Further Assurances.* From time to time, after the Effective Date of the Merger, as and when requested by Sun and to the extent permitted by Florida law, the officers and directors of Flagship last in office shall execute and deliver or cause to be executed and delivered in the name of Flagship such deeds and other instruments and shall take or cause to be taken such further or other actions as shall be necessary in order to vest or perfect in or to confirm of record or otherwise to the Surviving Corporation title to, and possession of, all the property, interests, assets, rights, privileges, immunities, powers, franchises and authorities of Flagship, and otherwise to carry out the purposes of this Merger Agreement; provided, that the Surviving Corporation shall, to the extent provided in the By-Laws of the Surviving Corporation, indemnify any such officer or director who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he executed or delivered such instrument or took such action at the request of the Surviving Corporation.

ARTICLE VII. CONDITIONS TO OBLIGATIONS OF SUN AND FLAGSHIP

The obligations of Sun and Flagship to effect the Merger shall be subject to the terms and conditions set forth in the Reorganization Agreement.

ARTICLE VIII. TERMINATION

Anything contained in this Merger Agreement to the contrary notwithstanding, and notwithstanding approval hereof by the shareholders of Sun or the shareholders of Flagship, or both, this Merger Agreement may be terminated and the Merger abandoned:

1. *Termination By Sun.* By a vote of a majority of the Board of Directors of Sun:

(a) *Breach by Flagship.* In the event of a material breach by Flagship of this Merger Agreement or the Reorganization Agreement; or

(b) *Excess Dissenting Shareholders.* In the event that the holders of more than twenty percent of the Flagship Shares outstanding as of the record date for the shareholders meeting at which the approval of the Merger is considered dissent from the Merger pursuant to applicable law.

2. *Termination by Flagship.* By a vote of a majority of the Board of Directors of Flagship, in the event of a material breach by Sun of this Merger Agreement or the Reorganization Agreement.

3. *Termination by Either Sun or Flagship.* By a vote of a majority of the Board of Directors of either of the Constituent Corporations:

(a) *Deadline Date.* If the Merger shall not have been effected on or before July 1, 1984; or

(b) *Trading Price of Sun Common Stock.* In the event that the average of the daily closing consolidated trading sale prices for the shares of Sun Common Stock (as reported from the NYSE

Composite Transactions Tape) for each day that such Sun Common Stock is actually traded on the NYSE from and including May 20, 1983 through and including the later of the date (the "Approval Date") that approval is received for the Merger from the Federal Reserve Board, or the Florida Department of Banking and finance, if applicable, is less than \$24.074 per share, provided, however, said right is exercised not later than ten days after the Approval Date. In the event that during such period the shares of Sun Common Stock are not listed on any day for trading on the NYSE but are quoted on the NASDAQ National Market System the price to be used in computing said average will be the closing (last) price for Sun Common Stock as quoted from the NASDAQ National Market System for such day.

ARTICLE IX MISCELLANEOUS

1. *Notice.* Any notice or other communication required or permitted under this Merger Agreement shall be given, and shall be effective, in accordance with the provisions of Section 4.7 of the Reorganization Agreement.
2. *Extensions and Waivers.* Each party by written instrument signed, in the case of Sun, by its Chairman or Vice Chairman of the Board, its President, or any Vice President, and, in the case of Flagship, by its Chairman of the Board, its President or any Vice President, may extend the time for the performance of any of the obligations or other acts of the other party hereto, and may waive compliance with any of the covenants or performance of any of the obligations of the other party contained in this Merger Agreement.
3. *Headings.* The headings of the several Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Merger Agreement.
4. *Counterparts.* For the convenience of the parties hereto, this Merger Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
5. *Governing Law.* This Merger Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.
6. *Parties in Interest and Assignment.* This Merger Agreement is binding upon and is for the benefit of the parties hereto and with respect to successors, legal representatives and assigns, and no person not a party hereto shall have any rights or benefits under this Merger Agreement, either as a third party beneficiary or otherwise. This Merger Agreement cannot be assigned by either party.
7. *Amendment.* This Merger Agreement may be amended, supplemented or modified by the parties hereto by an agreement in writing signed on behalf of each of the parties hereto following due authorization by the respective Boards of Directors or Executive Committees of the respective Boards of Directors of Sun and Flagship at any time before or after the approval hereof by the shareholders of Sun or Flagship, except that after any such approval, no amendment, supplement or modification of this Merger Agreement shall be made which changes the number of shares of Sun Common Stock constituting a Merger Share or the amount of a Stipulated Payment, as the case may be, into which the Flagship Common Stock (individually or in the aggregate) is to be converted without the further approval of such shareholders.
8. *Entire Agreement.* This Merger Agreement and the Reorganization Agreement supersede any and all oral agreements and that certain letter agreement dated May 20, 1983 from Sun to Flagship.

IN WITNESS WHEREOF, each of the Constituent Corporations have caused this Merger Agreement to be signed in accordance with the Florida General Corporation Act: all as of the day and year first above written.

SUN BANKS, INC.

By /s/ JOEL R. WELLS, JR.

Joel R. Wells, Jr.,
Chairman of the Board and President

FLAGSHIP BANKS INC.

By /s/ JAMES H. WHITE

James H. White, President

Joel R. Wells, Jr.
President and
Chief Executive Officer
P.O. Box 2946
Orlando, Florida 32802
Telephone 308-237-4725

November 28, 1983

Flagship Banks Inc.
777 Brickell Avenue
Miami, Florida - 33131

Attention: Philip F. Searle, Chairman of the Board and
Chief Executive Officer

Re: Agreement and Plan of Reorganization (the "Reorgani-
zation Agreement") dated June 1, 1983 between Sun Banks,
Inc. ("Sun") and Flagship Banks Inc. ("Flagship") and
Agreement and Plan of Merger (the "Merger Agreement")
dated June 1, 1983 between Sun and Flagship providing
for the Merger (the "Merger") of Flagship with Sun

Gentlemen:

We refer to the Merger Agreement as defined above. All terms used herein
shall have the same meanings as in the Merger Agreement unless otherwise defined.

Article V of the Merger Agreement is hereby amended by deleting the present
text of such Article in its entirety and replacing it with the following language:


Following the satisfaction or permissible waiver
of all conditions precedent to the Merger specified in
the Reorganization Agreement and this Merger Agreement,
unless Sun selects an earlier date, the effective date
of the merger (the "Effective Date of the Merger") shall
occur at 12:01 A.M., Orlando, Florida time on the first
day of the calendar month or calendar quarter (as selected
by Sun) immediately following the date of filing of
articles of merger reflecting this Merger Agreement in
accordance with the Florida General Corporation Act.

Please sign and return the enclosed copy of this letter to evidence your
agreement with the foregoing, which shall thereafter be deemed to be Amendment
No. 1 of the Merger Agreement.

Agreed to:


Flagship Banks Inc.

By:


Philip F. Searle
Chairman of the Board and
Chief Executive Officer

Sun Banks, Inc.

By:


Joel R. Wells, Jr.
Chairman of the Board and
President

Sun Banks, Inc.

Joel R. Wells, Jr.
President and
Chief Executive Officer
P.O. Box 2648
Orlando, Florida 32822
Telephone 305 237 4729

December 16, 1983

Flagship Banks Inc.
777 Brickell Avenue
Miami, Florida 33131

Attention: Philip F. Searle, Chairman of the Board
and Chief Executive Officer

Re: Agreement and Plan of Reorganization (the
"Reorganization Agreement") dated June 1, 1983
between Sun Banks, Inc. ("Sun") and Flagship
Banks Inc. ("Flagship") and Agreement and Plan
of Merger (the "Merger Agreement") dated June 1,
1983 between Sun and Flagship providing for the
Merger (the "Merger") of Flagship with Sun

Dear Mr. Searle:

We refer to the Merger Agreement as defined above. All
terms used herein shall have the same meaning as in the Merger
Agreement unless otherwise defined.

The last sentence of Article VI, Section 2(d) of the
Merger Agreement is hereby amended by deleting the present text
of such sentence in its entirety and replacing it with the
following language:

Notwithstanding any other provision of this
subsection (d) to the contrary, as to employees
of Flagship subsidiaries or offices or portions
thereof which are divested in connection with the
Merger, outstanding options granted pursuant to
the Flagship Option Plan and the Flagship Incentive
Plan shall terminate as of the Effective
Date of the Merger and Sun or Flagship, at the
direction of Sun, shall pay immediately prior to
the Effective Date of the Merger, each such
optionee with respect to each outstanding option

Sun Banks, Inc.

Flagship Banks Inc.
December 16, 1983
Page Two

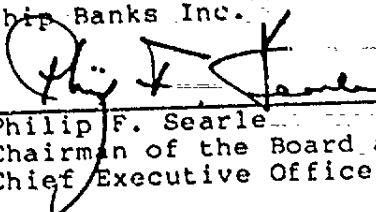
an amount in cash equal to \$35.00, less the optionee's exercise price, as set forth in his option, times the number of shares of Flagship Common Stock covered by such option.

Please sign and return the enclosed copy of this letter to evidence your agreement with the foregoing, which shall thereafter be deemed to be Amendment No. 2 of the Merger Agreement.

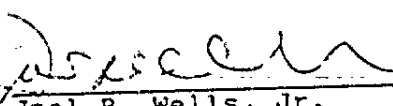
Agreed to:
Flagship Banks Inc.

Sun Banks, Inc.

By:


Philip F. Searle
Chairman of the Board and
Chief Executive Officer

By:


Joel R. Wells, Jr.
Chairman of the Board and
President