

J82936



Inter-Office
Communication

Comptroller of Florida
Division of Banking

DATE: October 12, 1998

TO: Karon Beyer, Department of State
Division of Corporations - Bureau of Commercial Recording

FROM: *JP* John A. Pullen, Licensing and Chartering

SUBJECT: Formation of Citizens Interim Bank and Merger of Citizens Interim Bank and Citizens Bank Wakulla

Please file the attached Articles of Incorporation of Citizens Interim Bank (original and two copies) and the "Merger Agreement" for the above-referenced institutions (original and three copies), using October 15, 1998, as the effective date.

Please make the following distribution of certified copies:

1. One copy of all documents to:

Division of Banking
Office of Licensing and Chartering
101 East Gaines Street
Tallahassee, Florida 32399-0350

800002662938--8

-10/13/98--01070--006

****140.00 *****96.25

2. One copy of merger documents to:

Federal Deposit Insurance Corporation
Suite 1600, One Atlantic Center
1201 West Peachtree Street, Northeast
Atlanta, Georgia 30309-3449

3. One copy of all documents to:

Sam Lester, Esquire
Igler & Dougherty, P.A.
1501 Park Avenue East
Tallahassee, Florida 32301

FILED
98 OCT 12 PM 3:25
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Also attached are checks, in the amounts of \$140.00 and \$227.50, which represent payment of the applicable fees. If there has been and overpayment of these fees, please take appropriate measures to issue a refund. If you have any questions, please call me at 414-8067.

EFFECTIVE DATE

JAP:bms

10-15-98

cc: Federal Deposit Insurance Corporation, Atlanta, Georgia
Bureau of Financial Institutions - District I

*MS. Sam Lester authorized to take
hypernet out of surviving corporation
name and to add date of adoption
for the shareholders*

*merger
NFS
10-14-98*

**ARTICLES OF MERGER ;
Merger Sheet**

MERGING:

CITIZENS INTERIM BANK, a Florida corporation (Document #P98000087558)

INTO

CITIZENS BANK WAKULLA, a Florida corporation, J82936

File date: October 12, 1998, effective October 15, 1998

Corporate Specialist: Louise Flemming-Jackson



ROBERT F. MILLIGAN
COMPTROLLER OF FLORIDA

OFFICE OF COMPTROLLER
DEPARTMENT OF BANKING AND FINANCE
STATE OF FLORIDA

TALLAHASSEE
32399-0350

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Having given my approval on August 24, 1998, to merge Citizens Bank Wakulla, Crawfordville, Wakulla County, Florida, and Citizens Interim Bank, Crawfordville, Wakulla County, Florida, (a Successor Institution), 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 Merger", which contains the Articles of Incorporation of Citizens Bank Wakulla (the resulting bank), so that effective on October 15, 1998, they shall read as stated herein.

Signed on this 6th day of
October, 1998.


Comptroller

EFFECTIVE DATE

10-15-98

ARTICLES OF MERGER

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**SECRETARY OF STATE
TALLAHASSEE, FLORIDA**

THESE ARTICLES OF MERGER, dated as of this 15th day of October, 1998, are entered into by and between Citizens Bank Wakulla, Crawfordville, Florida ("Citizen Bank") and Citizens Interim Bank, Crawfordville, Florida ("Interim"). Both institutions are state-chartered stock commercial banks. Interim is currently a wholly-owned subsidiary of Citizens Bancshares, Inc. Inc., Crawfordville, Florida ("Holding Company"), which is a wholly-owned subsidiary of Citizens Bank Wakulla.

1. Citizens Bank and Interim intend to effect a merger (the "Merger") upon the terms and conditions set forth in the Agreement and Plan of Reorganization dated as of May 21, 1998 (the "Agreement"), which is designated to facilitate the acquisition of all of the stock of Citizens Bank by the Holding Company, which will become a registered bank holding company.
2. Citizens Bank shall be the resulting institution after the Merger (the "Resulting Institution").
3. Upon the effective date of the Merger ("Effective Date"):
 - (a) Interim will be merged with and into Citizens Bank;
 - (b) The separate existence of Interim will cease and the Charter and Bylaws of Interim will be deemed cancelled;
 - (c) All of the assets and property of every kind or character, real, personal, and mixed, tangible and intangible, choses in action, rights and credits then owned by Interim and Citizens Bank, or that would inure to each of them, shall immediately, by operation of law and without any conveyance or transfer and without any further act or deed, be vested in and become the property of the Resulting Institution, which

shall have, hold, and enjoy the same in its own right as fully and to the same extent as the same were possessed, held and enjoyed by Interim prior to the Merger. All of the assets and property of Citizens Bank shall remain the assets and property of the Resulting Institution. All of the rights and obligations of Interim and Citizens Bank shall remain unimpaired, and the Resulting Institution shall, on the Effective Date, succeed to all such rights, obligations and duties connected with them. The Resulting Institution shall be deemed to be and shall be a continuation of the entity and identity of Citizens Bank. The existence and business operations of Citizens Bank shall continue unaffected by the Merger and the Resulting Institution shall continue to operate under the name "Citizens Bank Wakulla";

(d) Each share of capital stock of Citizens Bank will be converted into one share of fully paid and nonassessable common stock of the Holding Company. The holders of certificates formerly representing the capital stock of Citizens Bank shall cease to have any rights with respect to the stock of Citizens Bank and their sole rights shall be with respect to the common stock of the Holding Company;

(e) Each share of capital stock of Interim issued and outstanding immediately prior to the Effective Date shall be converted into one fully paid and nonassessable share of common stock of Citizens Bank and shall not be further converted into shares of the Holding Company;

(f) Each share of capital stock of the Holding Company formerly held by Citizens Bank shall be cancelled and shall not be deemed to be issued or outstanding for any purpose;

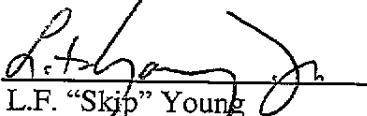
(g) The Resulting Institution shall thereby become a wholly owned subsidiary of the Holding Company.

Pursuant to Section 658.44, Florida Statutes, the Merger has been approved by the holders of at least fifty percent plus one of the outstanding voting stock Citizens Bank and Interim. Of the outstanding voting shares of Citizens Bank, 85,055 shares were voted to approve the Merger, 100 shares were voted against the Merger, and 54,999 shares abstained. The 1,000 outstanding shares of Interim were voted to approve the Merger, the date of adoption was September 17, 1998 and the number of votes cast was sufficient for approval.

IN WITNESS WHEREOF, the parties have caused these Articles of Merger to be executed by their duly authorized agents.

Dated:

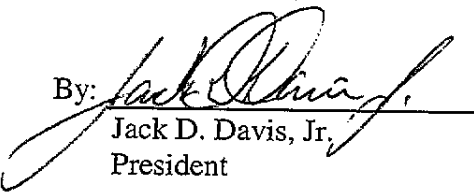
**CITIZENS BANK WAKULLA
CRAWFORDVILLE, FLORIDA**

By: 
L.F. "Skip" Young
President and Chief
Executive Officer

By: 
Denise Oaks
Corporate Secretary

Dated:

**CITIZENS INTERIM BANK
CRAWFORDVILLE, FLORIDA**

By: 
Jack D. Davis, Jr.
President

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION ("Agreement"), dated this 21st day of May, 1998 is being entered into by and between Citizens Bank Wakulla, a state-chartered bank ("Bank"), Citizens Bancshares, Inc., a Florida corporation ("Citizens Bancshares") and Citizens Interim Bank, an interim state-chartered bank ("Interim").

The Board of Directors of the Bank have determined that it is in the best interest of the Bank and its shareholders for the Bank to be reorganized into a holding company form of ownership. The Bank has caused Citizens Bancshares to be organized under Florida law as a wholly-owned subsidiary of the Bank for the purpose of becoming the parent holding company of the Bank. It is intended that the reorganization will be accomplished by causing Citizens Bancshares to become the sole shareholder of the newly-formed Interim and then merging Interim into the Bank, so that as part of the merger, all of the outstanding shares of common stock of the Bank will automatically be converted into and become the shares of common stock of Citizens Bancshares, which would then become the sole shareholder of the Bank (the "Reorganization").

NOW, THEREFORE, the parties hereto, intending to be legally bound by this Agreement, agree to effect the Reorganization of the Bank into the holding company form of ownership in accordance with and subject to the terms and conditions set forth below.

ARTICLE I

Merger of Citizens Interim Bank into Citizens Bank-Wakulla and Related Matters

Section 1.1 On the Effective Date (as defined in Article V herein), Interim will be merged with and into the Bank and the Bank shall then be the "Successor Institution" (the "Merger"), and the separate existence of Interim shall cease. All assets and property (real, personal and mixed, tangible and intangible, choses in action, rights and credits) then owned by Interim, or which would inure to it, shall immediately and automatically, by operation of law and without any conveyance, transfer, or further action, become the property of the Bank and shall be deemed to be a continuation of Interim. The Bank shall succeed to the rights and obligations of Interim. The Bank shall operate under its original Articles of Incorporation, a copy of which is attached hereto as Exhibit A, under the name "Citizens Bank Wakulla".

Section 1.2 Following the Merger, the existence of the Bank which will be the Successor Institution, shall continue unaffected and unimpaired by the Merger, with all rights, privileges, immunities and powers, and subject to all the duties and liabilities, of a state chartered bank organized under Florida law, and the Articles of Incorporation, a copy of which is attached hereto as Exhibit A, and Bylaws of the Bank as in effect on the Effective Date, shall continue in full force and effect.

Section 1.3 From and after the Effective Date, and subject to the actions of the Board of Directors of the Bank the business presently conducted by the Bank will continue to be conducted by it, as a wholly-owned subsidiary. The then executive officers of the Bank will continue in the positions they currently hold until such time as the Board of Directors of the Bank determines otherwise.

The following is a list of the current Executive Officers:

Name	Position with <u>Citizens Bank Wakulla</u>
L.F. "Skip" Young, Jr.	President/Chief Executive Officer
Jack D. Davis, Jr.	Executive Vice President - Chief Financial Officer
Denise B. Oaks	Cashier / Operations Officer

Section 1.4 On the Effective Date, the number of directors of the Bank as stated in its Articles of Incorporation, shall be not less than five (5). The directors set forth below shall serve as the interim directors of Citizens Bancshares until the first Annual Meeting of Shareholders. On the Effective Date, the then Board of Directors of the Bank shall continue to serve as the Board of Directors of the Bank until such time as their successors have been elected and qualified. The names, resident addresses and terms of office of the directors of the Bank on this date are as follows:

Name	Address	Term Expires ⁽¹⁾
L.F. "Skip" Young, Jr.	195 Harvey-Young Road Crawfordville, Florida 32327	March, 1999
Jack D. Davis, Jr.	677 East Ivan Road Crawfordville, Florida 32327	March, 1999
Edwin G. Brown	321 Little Creek Drive Crawfordville, Florida 32327	March, 1999
W. Mark Payne	38 Highland Street Crawfordville, Florida 32327	March, 1999
R. Marshall Spears, Jr.	3016 Coastal Highway Crawfordville, Florida 32327	March, 1999

⁽¹⁾ Individuals are currently serving as directors of the Bank.

Section 1.5 The home office of Citizens Bank Wakulla is located at 2628 Crawfordville Highway, Crawfordville, Florida, 32327-1240, and it shall continue to be the home office of the Bank from and after the Effective Date. The Bank currently operates and intends to continue to operate the following full-service branch offices after the Reorganization:

Panacea Office
1445 Coastal Highway
Panacea, Florida 32346

Sopchoppy Office
2117 Sopchoppy Highway
Sopchoppy, Florida 32358

Section 1.6 The Bank currently does not have trust powers and does not anticipate having trust powers at the Effective Date of the Reorganization.

ARTICLE II

Conversion of Stock

Section 2.1 The manner and basis of converting the common stock of the parties to this Agreement shall be as follows:

A. On the Effective Date, all shares of common stock of Citizens Bancshares held by the Bank shall be canceled and shall no longer be deemed to be issued or outstanding for any purpose.

B. On the Effective Date, except for those shares for which "dissenters' rights" are exercised, for each share of common stock, \$2.00 par value, of the Bank ("Bank Common Stock") issued and outstanding immediately prior to the Effective Date shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become one (1) share of fully paid and non-assessable common stock, par value \$.01 per share, of Citizens Bancshares, Inc. ("Citizens Bancshares Common Stock"). From and after the Effective Date, each certificate which, prior to the Effective Date, represented shares of the Bank shall evidence ownership of Citizens Bancshares on the basis set forth herein.

C. Each share of common stock of Interim issued and outstanding immediately prior to the Effective Date shall, on the Effective Date, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become one share of fully paid and non-assessable common stock, \$2.00 par value, of the Bank and shall not be further converted into shares of Citizens Bancshares so that from and after the Effective Date, all of the issued and outstanding shares of Bank Common Stock shall be held by Citizens Bancshares. From and after the Effective Date, each certificate, if any, which, prior to the Effective Date, represented shares of Interim, shall evidence ownership of the Bank on the basis hereinabove set forth.

D. At or prior to the Effective Date, the Bank shall designate an exchange agent to receive from the holders of the Bank stock certificates which immediately prior to the Effective Date represented Bank Common Stock and to exchange such certificates for certificates of Citizens Bancshares Common Stock as heretofore provided. Promptly after the Effective Date, the exchange agent shall mail to each record holder, as of the Effective Date, any outstanding certificate or certificates, which prior to the Effective Date represented shares of Bank Common Stock, a letter of transmittal (which shall specify how delivery shall be effected, and that risk of loss and title to such certificate or certificates shall pass only upon proper delivery of such certificate or certificates, together with a properly executed letter of transmittal, to the exchange agent at its address stated therein) and instructions for use in effecting the surrender of such certificate or certificates for exchange therefore. Upon surrender to the exchange agent for such certificate or certificates, together with such properly executed letter of transmittal, the exchange agent shall exchange such certificate or certificates for stock certificates of Citizens Bancshares Common Stock as provided herein. Until so surrendered, each such outstanding certificate which, prior to the Effective Date, represented shares of Bank Common Stock shall be deemed for all corporate purposes to evidence the ownership of the number of whole shares of Citizens Bancshares Common Stock into which such shares of Bank Common Stock shall have been converted.

E. The conversion and exchange of shares of Bank Common Stock into shares of Citizens Bancshares Common Stock, pursuant to this Article II, shall be in full satisfaction of all rights pertaining to the converted shares.

F. On the Effective Date, the holders of certificates formerly representing Bank Common Stock outstanding on the Effective Date shall cease to have any rights with respect to Bank Common Stock, and their sole rights shall be with respect to Citizens Bancshares Common Stock into which their shares of Bank Common Stock shall have been converted as a result of the Merger.

G. No share of Bank Common Stock as to which dissenters' appraisal rights have been validly exercised and perfected and for which cash is payable pursuant to law (Dissenting Shares) shall be converted into the right to receive Citizens Bancshares, Inc. Common Stock. In lieu thereof, the holder of Dissenting Shares shall be entitled to payment in accordance with the applicable provisions of Section 658.44, *Florida Statutes*, (the Dissenter/Appraisal Statute) applicable to state-chartered banks. If any holder of Dissenting Shares shall effectively withdraw or lose his dissenter rights under the Dissenter/Appraisal Statute, such Dissenting Shares shall be converted into Citizens Bancshares Common Stock in accordance with the provisions hereof. Dissenting Shares acquired by the Bank pursuant to payment shall be held by the Bank as authorized but unissued shares. This Agreement is subject to the condition that properly exercised dissenter shares shall not exceed more than 40% of the total number of shares outstanding or approximately 150,000 shares in order for this to be a tax free reorganization. Under the terms of this Plan, management may chose to honor up to 40% in dissenter shares in order to consummate the transaction. In order to remain a "well capitalized bank" under the FDIC rules, the Bank intends to do a private placement offering to provide sufficient capital to the Bank to pay for dissenter shares that are tendered.

ARTICLE III Conditions

Section 3.1 The obligations of the Bank, Citizens Bancshares and Interim to effect the Merger and otherwise consummate the Reorganization, which are the subject matter hereof, shall be subject to satisfaction of the following conditions:

A. The approval of this Agreement by a majority of the outstanding shares of Bank Common Stock at a meeting of the shareholders of the Bank duly called at which a quorum is present.

B. Receipt of any and all approvals from The Florida Department of Banking and Finance ("Florida Department"), the Federal Reserve Board ("FRB"), and the Federal Deposit Insurance Corporation ("FDIC") and any other governmental agency having jurisdiction necessary for the lawful consummation of the Merger, and the issuance and delivery of Citizens Bancshares Common Stock as contemplated by this Agreement.

C. Receipt of a ruling from the Internal Revenue Service or an opinion from its legal counsel that the Merger will be treated as a non-taxable transaction under Section 351 or other applicable provisions of the Internal Revenue Code of 1986, as amended, and that no gain or loss will be recognized by the Bank's shareholders upon the exchange of Bank Common Stock held by them solely for Citizens Bancshares Common Stock.

D. Not more than 40% of the outstanding shares shall have exercised dissenter's rights as provided for in Section 2.1(G) herein.

ARTICLE IV Termination

Section 4.1 This Agreement may be terminated and the Merger need not be consummated at the election of any of the parties hereto at any time before the Effective Date, in the event that, for any reason, consummation of the holding company formation contemplated by this Agreement is inadvisable in the opinion of the Bank, Citizens Bancshares, or Interim. Termination of this Agreement shall be effected by written notice by the terminating party to the other parties. Upon giving of such notice, this Agreement shall be terminated and there shall be no liability hereunder or on account of such termination on the part of the Bank, Citizens Bancshares and/or Interim, or the directors, officers, employees, or agents of any of them.

Section 4.2 In the event of termination of this Agreement, the Bank shall pay the fees and expenses incurred in connection with this Agreement and the proposed formation of a holding company.

ARTICLE V
Effective Date of Merger

Section 5.1 Upon satisfaction or waiver (in accordance with the provisions of this Agreement) of each of the conditions set forth in Article III, the parties hereto shall execute and cause to be filed such certificates or further documents as are required under applicable law, rule or regulation with the Florida Department, the FRB and/or the FDIC and with such other federal and state regulatory agencies as may be required in order to effect the Merger provided for herein.

Section 5.2 The date and time by which all of such filings are completed and accepted by the applicable agencies is referred to in this Agreement as the "Effective Date".

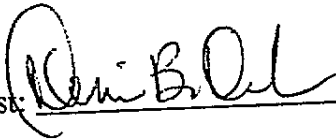
ARTICLE VI
Miscellaneous


Section 6.1 Any of the terms or conditions of this Agreement, which may legally be waived, may be waived at any time by any party hereto which is entitled to the benefit thereof, or any of such terms or conditions may be amended or modified in whole or in part at any time, to the extent authorized by applicable law, by an agreement in writing, executed in the same manner as this Agreement.

Section 6.2 This Agreement shall be governed by and construed under Florida law, and where applicable, federal law.

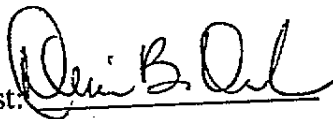
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement and Plan of Reorganization as of the date first above written.

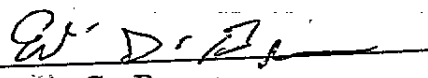
CITIZENS BANK WAKULLA

Attest: 

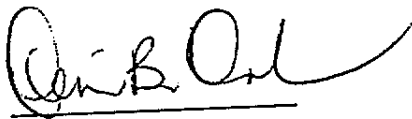
By: 
L. F. "Skip" Young, Jr.
President and Chief Executive Officer

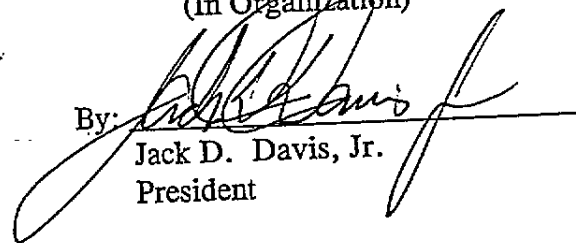
CITIZENS BANCSHARES, INC.

Attest: 

By: 
Edwin G. Brown
Chairman of the Board

CITIZENS INTERIM BANK
(In Organization)

Attest: 

By: 
Jack D. Davis, Jr.
President

**CERTIFICATE AND REPORT
OF INSPECTOR OF ELECTION
FOR
CITIZENS BANK WAKULLA
SPECIAL MEETING OF SHAREHOLDERS
SEPTEMBER 17, 1998**

The undersigned duly appointed Inspector of Election of the Special Meeting of Shareholders of Citizens Bank Wakulla ("Citizens Bank") does hereby certify that:

A Special Meeting of Shareholders ("Special Meeting") of Citizens Bank was held at their main office, 2628 Crawfordville Highway, Crawfordville, Florida on September 17, 1998 at 4:00 p.m., Eastern Time.

There were 140,154 votes entitled to be cast at the Special Meeting, of which 940/10 represents a majority.

The undersigned inspected the signed proxies and ballots used at the Special Meeting and found the same to be in proper form. The following is a record of the votes cast as to the propositions, presented:

PROPOSAL I. The approval of an Agreement and Plan of Reorganization whereby (i) Citizens Bank will become a wholly-owned subsidiary of Citizens Bancshares, Inc. ("Holding Company"), a Florida corporation, and (ii) all of the outstanding shares of Citizens Bank's Common Stock will be converted, on a one-for-one basis, into outstanding shares of common stock, \$.01 par value per share, of the Holding Company.

FOR	WITHHELD	AGAINST
<u>85,055</u>	<u>54,999</u>	<u>100</u>

PROPOSAL II. The approval of the adjournment of the Special Meeting to solicit additional proxies in the event that there are not sufficient votes to approve any one or more of the proposals:

FOR	WITHHELD	AGAINST
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Accordingly, Proposal I has received a favorable vote of at least a majority of the outstanding votes eligible to be cast at the Special Meeting and is hereby duly adopted by the shareholders of Citizens Bank. Because there were sufficient votes to act upon Proposal I, adjournment of the Special Meeting to solicit additional proxies, was not necessary.

IN WITNESS WHEREOF, the undersigned executed and acknowledged this Certificate on the 17th day of September, 1998.

Inspector of Election

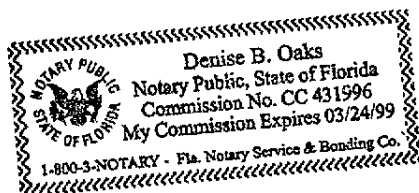
Jo Ann W. Taylor
Signed

Jo Ann W. Taylor
Print or type name

STATE OF FLORIDA)
COUNTY OF WAKULLA)

On the 17th day of September, 1998, before me personally appeared Jo Ann W. Taylor who is personally known to me and who executed the above Certificate and acknowledged to me that the same was duly executed.

Denise B. Oaks
Notary Public



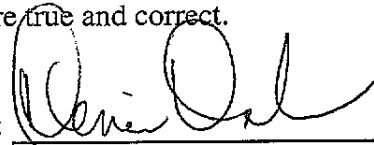
Name Typed or Printed
Commission Number: _____

(SEAL)

I hereby declare under penalty of perjury that as the Corporate Secretary for Citizens Bank Wakulla and Citizens Interim Bank the above Articles of Merger are true and correct.

Dated:

By:



Denise Oaks
Corporate Secretary

IN WITNESS WHEREOF, the parties have caused these Articles of Merger to be executed by their duly authorized agents.

Approved by the Florida Department of Banking and Finance this _____ day of _____, 1998.

Tallahassee, Florida

Robert F. Milligan
Comptroller of the State of Florida

**ARTICLES OF INCORPORATION
OF
CITIZENS BANK WAKULLA**

ARTICLE I

The name of the corporation shall be CITIZENS BANK WAKULLA and its initial place of business shall be at 2628 Crawfordville Highway in the City of Crawfordville in the County of Wakulla and State of Florida.

ARTICLE II

The general nature of the business to be transacted by this corporation shall be: That of a general commercial banking business with all the rights, powers and privileges granted and conferred by the Florida Banking Code, regulating the organization, powers and management of banking corporations. The corporation may also engage in any activity of business permitted by law.

ARTICLE III

The total number of shares authorized to be issued by the corporation shall be 150,000. Such shares shall be of a single class and shall have a par value of \$8.00 per share. The corporation shall begin business with at least \$1,200,000.00 in paid common capital stock to be divided into 150,000 shares. The amount of surplus with which the corporation will begin business will be not less than \$240,000.00 and the amount of undivided profits, not less than \$60,000.00, all of which (capital stock, surplus and undivided profits) shall be paid in cash.

ARTICLE IV

The terms for which said corporation shall exist shall be perpetual, unless terminated pursuant to the Florida Banking Code.

ARTICLE V

The number of directors shall not be fewer than five (5) and no more than twenty-five (25) and shall be elected by the shareholders. However, a majority of the full Board of Directors may, at any time during a calendar year following an annual shareholders meeting in which such action is authorized, increase the number of directors by not more than two (2) and appoint persons to fill any resulting vacancies.