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**MERGER OR SHARE EXCHANGE**

**Cornerstone Bancorp, Inc.**

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H06000253048 3

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**ARTICLES OF SHARE EXCHANGE**

(Holding Company Reorganization for Cornerstone Community Bank)

**SHARES OF CORNERSTONE BANCORP, INC.**

(Acquiring Corporation - Corporate Document No. P05000034404)

**IN EXCHANGE FOR****SHARES OF CORNERSTONE COMMUNITY BANK**

(Acquired Corporation - Corporate Document No. P99000013384)

These Articles of Share Exchange ("Articles") are executed by CORNERSTONE BANCORP, INC., a Florida corporation ("Bancorp"), and CORNERSTONE COMMUNITY BANK, a Florida-chartered commercial bank ("Cornerstone"), pursuant to the provisions of Section 607.1105 of the Florida Business Corporation Act (the "FBCA"), all necessary and duly authorized actions of their respective shareholders and boards of directors, and all necessary approvals of or by applicable bank regulatory authorities, viz.:

1. Pursuant to and in accordance with the Agreement and Plan of Share Exchange, a copy of which is attached to these Articles as Exhibit "A" and incorporated herein by this reference (the "Share Exchange Agreement"), as of the Effective Date (as defined below): (i) all issued and outstanding shares of Cornerstone's single authorized class of capital stock, par value of \$5.00 per share ("Bank Common Stock"), shall be exchanged for and converted into a like number of shares of authorized common stock, par value of \$.10 per share, of Bancorp (the "Bancorp Common Stock"); (ii) all outstanding options to purchase Bank Common Stock under Cornerstone's Stock Option Plan for Employees and Directors shall be exchanged for and converted into equivalent options to purchase Bancorp Common Stock under Bancorp's Stock Option Plan for Employees and Directors; and (iii) Cornerstone shall become a wholly owned subsidiary of Bancorp.

2. The effective date of the exchanges of securities to take place under the Share Exchange Agreement and in accordance with the FBCA shall be the close of business on the date these Articles are filed by the Department of State of the State of Florida (the "Effective Date").

3. All actions necessary to approve and adopt the Share Exchange Agreement was taken by the Board of Directors of Cornerstone on March 15, 2006 and effective as of September 8, 2006, by the shareholders of Cornerstone on April 19, 2006, by the sole shareholder of Bancorp on March 15, 2006, and by the Board of Directors of Bancorp on March 15, 2006 and effective as of September 8, 2006.

IN WITNESS WHEREOF, Bancorp and Cornerstone have executed these Articles as shown below pursuant to duly adopted resolutions of their respective boards of directors and shareholders.

**CORNERSTONE BANCORP, INC.**

By: Robert L. Carr  
Robert L. Carr, Chairman, CEO and President

October 16, 2006

ATTEST:

Karen L. Patterson  
Karen L. Patterson, Secretary

[Corporate Seal]

**CORNERSTONE COMMUNITY BANK**

By: Robert L. Carr  
Robert L. Carr, Chairman, CEO and President

October 16, 2006

ATTEST:

Karen L. Patterson  
Karen L. Patterson, Secretary

[Corporate Seal]

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**AGREEMENT AND PLAN OF SHARE EXCHANGE**  
(Holding Company Reorganization for Cornerstone Community Bank)

This AGREEMENT AND PLAN OF SHARE EXCHANGE, dated for convenience of reference as of September 5, 2006 (this "Share Exchange Agreement"), is entered into by and between CORNERSTONE BANCORP, INC., a Florida corporation ("Bancorp"), and CORNERSTONE COMMUNITY BANK, a Florida-chartered commercial bank ("Cornerstone"), each of whom may be referred to herein without distinction as a "party," and together may be collectively referred to in this Share Exchange Agreement as the "parties," with reference to the following:

**RECITALS:**

(a) Bancorp was formed under the provisions of the Florida Business Corporation Act (the "FBCA") for the purpose of becoming the holding company of Cornerstone, and the sole holder of Cornerstone's single authorized class of capital stock, par value of \$5.00 per share (the "Bank Common Stock").

(b) As provided in this Share Exchange Agreement, Cornerstone will become a wholly owned subsidiary of Bancorp through the exchange on a share-for-share basis of one share of authorized common stock, par value of \$.10 per share, of Bancorp (the "Bancorp Common Stock") for each share of Bank Common Stock outstanding at the effective date (as hereinafter further defined, the "Effective Date"). Also on the Effective Date, all outstanding options under Cornerstone's Stock Option Plan for Employees and Directors (the "Bank Option Plan") will automatically be converted into equivalent options under Bancorp's Stock Option Plan for Employees and Directors (the "Bancorp Option Plan"). On the Effective Date (i) those exchanges of securities will take place in an exchange transaction contemplated by Section 607.1102 of the FBCA (the "Share Exchange") and (ii) the Reorganization (as defined below) will be accomplished.

(c) This Share Exchange Agreement is an amendment and restatement in its entirety of that certain Agreement and Plan of Merger entered into on March 15, 2006 between the parties (the "Merger Agreement"). The shareholders of Cornerstone and of Bancorp previously approved the Merger Agreement without dissent, and Interim (as defined in the Merger Agreement), the other entity named in the Merger Agreement, never came into existence. Under the Merger Agreement, each outstanding share of Bank Common Stock would have been converted into and exchanged for a share of Bancorp Common Stock, options issued under the Bank Option Plan would have become equivalent options outstanding under the Bancorp Option Plan, and Cornerstone would have become a wholly owned subsidiary of Bancorp. Those same results will be achieved through this Share Exchange Agreement, but with substantially less regulatory and administrative burdens than under the Merger Agreement.

(d) Section 607.1103(8) of the FBCA and Section 6.2 of the Merger Agreement permit, among other matters, the amendment of the Merger Agreement in any respect after the approval of the agreement by the shareholders of Cornerstone, other than any amendment that would, without the approval of those shareholders as required by applicable law: (i) change the amount or kind of securities to be received in exchange for or on conversion of any of the securities of Cornerstone; (ii) change any other term or condition of the agreement if the change would materially and adversely affect Cornerstone or its shareholders; or (iii) change in any material respect any term of any applicable articles of incorporation. As none of those changes is to be accomplished by this Share Exchange Agreement, it is a permissible amendment and restatement in its entirety of the Merger Agreement and requires no further shareholder approval.

(e) It is the intention of the parties that, for Federal income tax purposes, the Share Exchange shall qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

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H06000253048 3

(f) The Boards of Directors of Bancorp and Cornerstone are of the opinion that the transactions described in this Share Exchange Agreement are in the best interests of the parties and their respective shareholders, and have approved this Share Exchange Agreement.

**AGREEMENT:**

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the purpose of stating the terms and conditions of the Share Exchange, the manner and basis of exchanging outstanding shares of the Bank Common Stock for shares of Bancorp Common Stock, the manner and basis of exchanging outstanding options under the Bank Option Plan for options under the Bancorp Option Plan, and such other provisions relating to the Share Exchange and the Reorganization as the parties deem necessary or desirable, the parties agree as follows:

**SECTION 1 - INTRODUCTORY**

Section 1.1 *Incorporation; Definitions.* The recitals to this Share Exchange Agreement ("**Recitals**") are true and correct, and by this reference are incorporated in and made a part hereof. The definitions contained in the preamble to this Share Exchange Agreement and in the Recitals shall be used for purposes of this Share Exchange Agreement. Other terms are defined elsewhere herein and are used in this Share Exchange Agreement as so defined.

Section 1.2 *Exhibits.* There are no exhibits to this Share Exchange Agreement.

Section 1.3 *Effective Date.* The parties shall prepare articles of share exchange meeting the requirements of Section 607.1105 of the FBCA promptly following the satisfaction of the conditions set forth in Section 4 ("**Articles of Share Exchange**"), and shall cause the Articles of Share Exchange to be filed with the Department of State of the State of Florida (the "**Department of State**"). The Effective Date of the Share Exchange and the Reorganization will be the date inserted in the Articles of Share Exchange as the Effective Date as contemplated by Section 607.1105 of the FBCA. As provided in and subject to the provision of Section 4.3, the Effective Date is to be not later than December 31, 2006.

**SECTION 2 - REORGANIZATION AND CONVERSION, ETC. OF SECURITIES**

Section 2.1 *Reorganization.* The Share Exchange and the accomplishment of the transactions contemplated by this Share Exchange Agreement will effect the reorganization of Cornerstone into a bank holding company structure, with Bancorp becoming at the Effective Date the owner of all of the outstanding Bank Common Stock, and the former shareholders of Cornerstone becoming at the Effective Date the owners of all of the outstanding Bancorp Common Stock. The Share Exchange and the accomplishment of such transactions are sometimes collectively referred to herein as the "**Reorganization**." The Reorganization will have the effects provided by the applicable provisions of the FBCA and, as contemplated by Section 658.28(4), *Florida Statutes*, the persons who controlled Cornerstone immediately prior to the Effective Date will be the same persons who control Bancorp on and immediately following the Effective Date.

Section 2.2 *Manner of Converting, Etc. Shares.* At the Effective Date, by virtue of the Share Exchange and the provisions of this Share Exchange Agreement, and without any further action on the part of Bancorp or Cornerstone or the holders of any shares of capital stock of either party, the outstanding shares of the parties shall be automatically affected as follows:

(a) Each share of Bank Common Stock outstanding at the Effective Date shall be exchanged for and converted into the right to receive one share of Bancorp Common Stock in accordance with the procedures in Section 3;

H06000253048 3

H06000253048 3

(b) Bancorp shall receive in exchange all of the outstanding shares of Bank Common Stock and Cornerstone shall issue one or more certificates to Bancorp to represent those outstanding shares (i.e., that number of shares of Bank Common Stock as were outstanding immediately prior to the Effective Date in the hands of the then shareholders of Cornerstone); and

(c) The 10 shares of Bancorp outstanding immediately prior to the Effective Date shall be cancelled and the holder thereof shall have refunded to him by Bancorp, without interest, the purchase price paid therefor upon surrender to Bancorp of the certificate representing those shares.

**Section 2.3 Options.** At the Effective Date, by virtue of the Share Exchange and without any further action on the part of the parties or the holders of any options to acquire Bank Common Stock, each option outstanding under the Bank Option Plan at the Effective Date will cease to represent an option to purchase Bank Common Stock, and automatically will be exchanged for and converted into an equivalent option under the Bancorp Option Plan to purchase Bancorp Common Stock. The number of shares covered by each option, the relevant option exercise price, the time for the exercise, expiration or termination of the option, and the other terms and conditions of each option will remain the same in all material respects, as no additional benefit shall accrue to any holder of any option under the new option agreements to be entered into under the Bancorp Option Plan as of the Effective Date. Bancorp shall enter into these new option agreements on or promptly following the Effective Date. The Bank Option Plan shall be terminated at the Effective Date and no further options will be issuable thereunder.

**Section 2.4 No Dissenting Shares.** There were no dissenting shares in the voting by the shareholders of Cornerstone or any shareholders of Cornerstone who sought to receive the value of their Bank Common Stock instead of receiving an equal number of shares of Bancorp Common Stock.

### **SECTION 3 – EXCHANGE OF CORNERSTONE CERTIFICATES**

**Section 3.1 Exchange Procedures.** Promptly after the Effective Date, Bancorp shall cause there to be mailed to the former shareholders of Cornerstone appropriate transmittal materials for the surrender and exchange of certificates that immediately before the Effective Date represented shares of Bank Common Stock (sometime herein, the “Cornerstone Certificates”). The transmittal materials shall specify that delivery of Cornerstone Certificates shall be effected, and risk of loss and title to the certificates shall pass, only upon proper delivery of the Cornerstone Certificates for exchange. Upon surrender of a Cornerstone Certificates for exchange to Bancorp (the shares represented thereby to be free and clear of all liens, claims and encumbrances), together with a properly executed letter of transmittal, the holder of the Cornerstone Certificate shall be entitled to receive in exchange therefor a certificate representing that number of shares of Bancorp Common Stock to which the holder of Bank Common Stock became entitled to receive pursuant to the provisions of Section 2.2(a), and each certificate so surrendered shall forthwith be appropriately disposed of by Bancorp and Cornerstone. No interest will be paid or accrued on any unpaid dividend or other distribution payable to holders of Cornerstone Certificates. Bancorp shall not be obligated to deliver the Bancorp Common Stock to which any former holder of Bank Common Stock is entitled as a result of the Share Exchange until the holder surrenders the holder's Cornerstone Certificates for exchange as provided in Section 3. The Cornerstone Certificates so surrendered shall be duly endorsed as may be reasonably required by Bancorp. None of the parties shall be liable under any circumstances to any holder of Cornerstone Certificates for any amount paid or property properly delivered in good faith to a public official pursuant to any applicable abandoned property law.

**Section 3.2 Rights of Former Cornerstone Shareholders.** At the Effective Date, the stock transfer books of Cornerstone shall be closed as to holders of Bank Common Stock immediately prior to the Effective Date, and no transfer of Bank Common Stock by any such holder shall thereafter be made or recognized on such books. Since upon the Effective Date the shares of Bank Common Stock outstanding immediate prior thereto are by law exchanged as provided in this Share Exchange Agreement, those

Agreement and Plan of Share Exchange - Cornerstone Bancorp, Inc and Cornerstone Community Bank Page 3 of 6

H06000253048 3

H06000253048 3

shares (until surrendered for exchange in accordance with the provisions of Section 3) shall from and after the Effective Date represent for all purposes only the right to receive in exchange therefor shares of Bancorp Common Stock as provided in Section 2.2(a). To the extent permitted by law, shareholders of record of Bank Common Stock immediately prior to the Effective Date shall be entitled to vote after the Effective Date at any meeting of Bancorp shareholders the number of shares of Bancorp Common Stock into which their respective shares of Bank Common Stock are exchanged, regardless of whether such holders have surrendered their Cornerstone Certificates for certificates representing Bancorp Common Stock in accordance with the provisions of this Share Exchange Agreement. Any person holding any Cornerstone Certificate after the Effective Date shall not be entitled to receive any dividend or other distribution payable thereafter to holders of Bancorp Common Stock, which dividend or other distribution is attributable to that person's Bancorp Common Stock represented by such Cornerstone Certificate held after the Effective Date, until the person surrenders the Cornerstone Certificate for exchange as provided in Section 3. However, upon surrender of such Cornerstone Certificate, both the Bancorp Common Stock certificate and any such undelivered dividends or other distributions, without interest, shall be delivered and paid with respect to each share of Bancorp Common Stock represented by such Cornerstone Certificate, subject to applicable escheat laws.

**Section 3.3 Identity of Recipient of Bancorp Common Stock.** In the event the delivery of the Bancorp Common Stock provided for in this Share Exchange Agreement is to be made in the name of a person other than the person in whose name any Cornerstone Certificate surrendered is registered, such certificate so surrendered shall be properly endorsed (or accompanied by an appropriate instrument of transfer), with the signature(s) appropriately guaranteed, and otherwise in proper form for transfer. The person requesting such delivery shall pay any transfer or other tax required by reason of the delivery to a person other than the registered holder of such certificate surrendered, or establish to the satisfaction of Bancorp that such tax has been paid or is not applicable.

**Section 3.4 Lost or Stolen Certificates.** If any holder of a Cornerstone Certificate is unable to deliver the certificate representing the Bank Common Stock, Bancorp, in the absence of actual notice that any such shares have been acquired by a bona fide purchaser, shall deliver to such holder the shares of Bancorp Common Stock to which the holder is entitled for the shares represented by such Cornerstone Certificate upon presentation of the following: (i) evidence to the reasonable satisfaction of Bancorp that any such Cornerstone Certificate has been lost, wrongfully taken or destroyed; (ii) such security or indemnity as may be reasonably requested by Bancorp to indemnify and hold Bancorp and Cornerstone harmless; and (iii) evidence satisfactory to Bancorp that such person is the owner of the shares theretofore represented by each Cornerstone Certificate claimed by the holder to be lost, wrongfully taken or destroyed and that the holder is the person who would be entitled to present such Cornerstone Certificate for exchange pursuant to this Share Exchange Agreement.

#### SECTION 4 – CONDITIONS AND COVENANTS

**Section 4.1 Shareholder Approvals.** The shareholders of the parties have previously approved the Merger Agreement and this Share Exchange Agreement is a permissible amendment and restatement thereof not requiring any further shareholder approval. The sole shareholder of Bancorp gave his approval on March 15, 2006, and the shareholders of Cornerstone gave their approval on April 19, 2006, in each instance without dissent.

**Section 4.2 Regulatory Approvals.** The Share Exchange and consummation of the Reorganization also is subject to the receipt from the appropriate State of Florida and Federal regulatory agencies of any necessary authorizations or approvals of this Share Exchange Agreement and the Share Exchange, including the authorization of the Board of Governors of the Federal Reserve System for Bancorp to become (or lack of objection to Bancorp becoming) a bank holding company through the acquisition of the outstanding shares of Bank Common Stock in exchange for shares of Bancorp Common Stock.

H06000253048 3

H06000253048 3

Section 4.3 *Consummation Date.* The Share Exchange and consummation of the Reorganization also is subject to the Effective Date being not later than December 31, 2006, subject to extension by authorizing action of each of the parties.

Section 4.4 *Other Conditions and Covenants.* The Share Exchange and consummation of the Reorganization also is subject to the conditions and covenants provided for in this section. Each of the parties shall perform its covenants herein contained, and shall not take any action that would adversely affect its ability to perform its obligations in connection with the Reorganization. Cornerstone shall operate its business in a manner consistent with safe and sound banking practices and applicable law, and in the ordinary course.

Section 4.5 *Satisfaction of Conditions and Covenants.* The filing of the Articles of Share Exchange with the Department of State shall conclusively establish the satisfaction of all conditions precedent to the consummation of the Reorganization and of those covenants of this Share Exchange Agreement to be satisfied prior to the Effective Date.

#### SECTION 5 - MISCELLANEOUS

Section 5.1 *Waiver.* Prior to the Effective Date, Bancorp and Cornerstone shall have the right to waive any default in the performance of any provision of this Share Exchange Agreement by the other, to waive or extend the time for the compliance or fulfillment by the other of any of the other's obligations under this Share Exchange Agreement and to waive any of the conditions to its obligations under this Share Exchange Agreement, except any condition that, if not satisfied, would result in the violation of any law or any applicable governmental regulation. All such waivers shall be in writing and signed by the party granting the waiver.

Section 5.2 *Amendment.* Prior to the Effective Date and to the maximum extent permitted by law, this Share Exchange Agreement may be amended by a subsequent writing signed with the approval of the Boards of Directors of each of Bancorp and Cornerstone. This authority to amend this Share Exchange Agreement is only subject to the limitations provided for in Section 607.1103(8) of the FBCA.

Section 5.3 *Termination.* This Share Exchange Agreement may be terminated at any time prior to the Effective Date by the mutual consent of Bancorp and Cornerstone, even though previously approved by shareholders.

Section 5.4 *Interpretation.* The descriptive headings of sections in this Share Exchange Agreement are inserted for convenience only and are not a part of this Share Exchange Agreement. Unless otherwise qualified, references in this Share Exchange Agreement to "Section" or "section" are to provisions of this Share Exchange Agreement, and a reference thereto includes any subparts. As used in this Share Exchange Agreement: "any" means "any and all;" "A or B" means "A or B" or both "A and B;" "herein," "hereof," "hereunder" and similar terms refer to the whole of this Share Exchange Agreement; the singular includes the plural (including in the definition of terms), the plural includes the singular (including in the definition of terms) and words in one gender include the others (including in the definition of terms); and "include," "including" and similar terms are not words of limitation. Whenever possible, each provision of this Share Exchange Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision shall be prohibited or invalid under applicable law, that provision shall be ineffective to the extent of the prohibition or invalidity only, without invalidating the remainder of the provision or of the remaining provisions of this Share Exchange Agreement. In the event any date specified herein or determined hereunder shall be on a Saturday, Sunday or nationally declared holiday, the date so specified shall be deemed to be the next business day following that date, and compliance by or on that day shall be compliance with the terms of this Share Exchange Agreement.

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IN WITNESS WHEREOF, the parties have executed and delivered this Share Exchange Agreement as shown below pursuant to duly adopted resolutions of their respective Boards of Directors.

CORNERSTONE COMMUNITY BANK

By: Robert L. Carr  
Robert L. Carr, Chairman, CEO and President

September 8, 2006

ATTEST:

Karen L. Patterson  
Karen L. Patterson, Secretary

[Corporate Seal]

CORNERSTONE BANCORP, INC.

By: Robert L. Carr  
Robert L. Carr, Chairman, CEO and President

September 8, 2006

ATTEST:

Karen L. Patterson  
Karen L. Patterson, Secretary

[Corporate Seal]

H06000253048 3