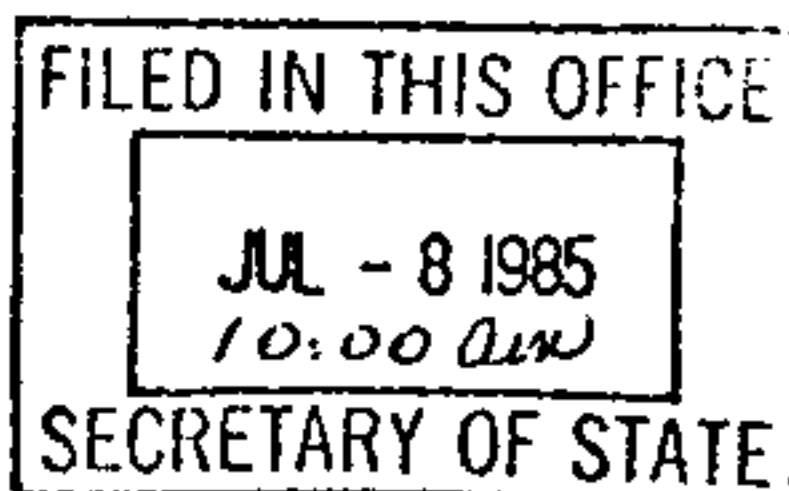


STATE OF ALABAMA)
SHELBY COUNTY)



This instrument was prepared
by *Andrea L. Wither*
2222 Arlington Avenue North
Birmingham, Alabama 35205

AGREEMENT AND ARTICLES OF MERGER, dated this 2nd
day of July, 1985, made by and between SHELBY STATE
BANK, a corporation organized and existing under the laws of
the State of Alabama (hereinafter referred to as the "Bank"),
and SHELBY STATE INTERIM BANK, a corporation organized and
existing under the laws of the State of Alabama (hereinafter
referred to as "Interim");

W I T N E S S E T H:

WHEREAS, the Board of Directors of each of said
corporations parties hereto, in consideration of the mutual
agreements of each corporation as set forth herein, does deem
it advisable, and generally for the welfare of each of said
corporations and their respective shareholders, that the
aforesaid Interim merge itself into the aforesaid Bank, as
authorized by the Alabama Business Corporation Act, under and
pursuant to the terms and conditions hereinafter set forth;

NOW, THEREFORE, the corporations parties to this
agreement, by and between their respective Boards of
Directors, in consideration of the mutual covenants, agree-
ments and provisions hereinafter contained, have agreed and
do agree each with the other that the Interim merge itself
into the Bank, pursuant to the applicable provisions of the

Alabama Business Corporation Act, and do hereby agree upon and prescribe the terms and conditions of said merger and of carrying the same into effect, as follows:

1. OUTSTANDING SHARES. Pursuant to the Articles of Incorporation of Bank and Interim, the following common shares are authorized, having the following par value per share; and there are presently outstanding the following common shares, which represent the only shares of each of the corporations which are now outstanding:

BANK

<u>CLASS</u>	<u>AUTHORIZED SHARES</u>	<u>PAR VALUE PER SHARE</u>	<u>SHARES OUTSTANDING</u>
Common	150,000	\$1.00	142,500

INTERIM

<u>CLASS</u>	<u>AUTHORIZED SHARES</u>	<u>PAR VALUE PER SHARE</u>	<u>SHARES OUTSTANDING</u>
Common	25,000	\$1.00	25,000

2. VOTING OF SHARES. The Articles of Merger contained in this Agreement, after having been first duly approved unanimously by the Board of Directors of the Merging Corporation and the Board of Directors of the Surviving Corporation, were submitted to and duly approved by the unanimous consent of the shareholders of Interim required to vote thereon, and by an affirmative vote of 102,896 of the 142,500 outstanding shares of the Bank required to vote

thereon. The remaining shares were not represented in person or by proxy at the meeting, and did not vote for or against the merger.

3. FILING DATE OF ARTICLES (CERTIFICATE) OF INCORPORATION. The Articles (Certificate) of Incorporation of the Bank were filed in Shelby County, Alabama on April 7, 1972, and the Articles of Incorporation of the Interim were filed in Shelby County, Alabama on March 18, 1985.

4. PLAN OF MERGER. The following Plan of Merger was approved by the Directors and Shareholders of Interim and Bank:

(a) General Information. The Bank is a state banking corporation duly organized under the laws of the State of Alabama, with its principal offices in Pelham, Alabama. Shelby Bancshares, Inc. ("Holding") is an Alabama business corporation duly organized under the laws of the State of Alabama, with its principal office in Pelham, Alabama. Interim is a state interim banking corporation duly organized under the laws of the State of Alabama.

On December 20, 1984, Bank had issued and outstanding capital stock of \$142,500, represented by 142,500 shares of common stock, par value \$1.00 per share, and surplus, undivided profits and capital reserves totaling approximately \$2,013,820.00. Immediately prior to the Merger, Interim shall have issued and outstanding capital stock of \$25,000, represented by 25,000 shares of common

stock, par value \$1.00 per share, all of which shall be owned by Holding.

Immediately prior to the Merger, Holding shall have authorized capital stock of \$1,500, represented by 150,000 shares of common stock, par value \$.01 per share, of which 1,000 shares of common stock will be issued and outstanding.

A majority of the respective Boards of Directors of Bank, Interim and Holding have, or will have prior to submission hereof to the shareholders of each of said corporations, approved those Articles of Merger and Plan of Reorganization (the "Plan of Merger") and have authorized its execution and consummation.

In consideration of the premises, and of the covenants contained herein, Bank, Interim and Holding hereby make, adopt and approve this Plan of Merger and prescribe the terms and conditions of the Merger and the mode of carrying the Merger into effect, as follows:

(b) The Merger. Interim shall be merged with and into the Bank under the Articles of Incorporation and charter of the Bank pursuant to the provisions of, and with the effect provided in, Chapter 5-7A of the Alabama Banking Code, as amended (the "Alabama Banking Code"). Bank shall be the survivor of the Merger, and is hereinafter referred to as "Continuing Bank" when reference is made to it as of the effective date of the Merger or thereafter.

(c) Effective Date of the Merger. Subject to the terms and conditions of this Plan or Merger, and upon satisfaction of all legal requirements, the Merger shall become effective July 8, 1985 (the "Effective Date").

(d) The Continuing Bank.

(i) On the Effective Date, the name of the Continuing Bank shall be "SHELBY STATE BANK"; its Articles (Certificate) of Incorporation shall be the same as Bank's existing Articles (Certificate) of Incorporation, and its By-Laws shall be the same as Bank's existing By-Laws; the main office of the Bank shall be the main office of the Continuing Bank; and all offices, branches, agencies and facilities of the Bank which were in lawful operation immediately before the Merger becomes effective or whose establishment had been approved before the Merger becomes effective shall be retained and operated or established and operated as offices, branches, agencies and facilities of the Continuing Bank.

(ii) On the Effective Date, all assets, rights, franchises and interests of the Bank and Interim in and to every type of property (real, personal and mixed) and choses in action shall be transferred to and vested in the Continuing Bank by virtue of the Merger without any deed or other transfer to the Continuing Bank, and without any order or other action on the part of any court or otherwise; and the Continuing Bank shall hold and enjoy all rights or property, franchises and interests, including appointments,

designations and nominations, and all other rights and interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and in every other fiduciary capacity, in the same manner and to the same extent as such rights, franchises and interests were held or enjoyed by Bank and Interim, respectively, immediately prior to the Effective Date.

(iii) On the Effective date, the Continuing Bank shall be liable for all liabilities of Bank and Interim, and all deposits, debts, liabilities, obligations and contracts of Bank and Interim, respectively, matured or unmatured, whether accrued, absolute, contingent or otherwise, and whether or not reflected or reserved against in the balance sheets, books of account or records of Bank or Interim, as the case may be, shall be those of the Continuing Bank, and shall not be released or impaired by the Merger; and all rights of creditors and other obligees and all liens on property of either Bank or Interim shall be preserved unimpaired.

(c) Capital Stock.

(i) On the Effective Date, all shares of Interim common stock issued and outstanding immediately prior to the Effective Date shall be redeemed for \$1.00 per share, plus a reasonable amount of interest thereon.

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(ii) On the Effective Date, all shares of Holding common stock issued and outstanding immediately prior to the Effective Date shall be redeemed for \$.01 per share.

(iii) On the Effective Date, each shareholder of Bank (other than those shares held by shareholders who exercise their rights as dissenting shareholders under Alabama law), who are and who can prove to Holding's satisfaction that he or she is and was a bona fide resident of the State of Alabama (i) on the date at which a proxy statement relating to the Merger is first mailed to Bank shareholders, (ii) on the Effective Date, and (iii) at all times between such dates and at all times when Holding stock is offered pursuant to this Agreement (the "Offering Period"), and that no person or entity who is not a bona fide resident of the State of Alabama at all times during the Offering Period owns or has any rights with respect to such shareholder's stock, shall, ipso facto and without any action on the part of the holder thereof, or any other party, exchange with Holding each share of Bank Common stock held by such shareholder for one share of Holding common stock.

Outstanding certificates representing such shares of Bank common stock shall be exchanged by each such holder of Common stock, after the Effective Date, for a new certificate or certificates evidencing the appropriate number of shares of Holding common stock with all applicable restrictions thereon. After the Effective Date Bank shall

issue to Holding a certificate evidencing the appropriate number of shares of Bank Common stock held by Holding after the Effective Date pursuant to the exchange.

Dividends may be withheld for a reasonable time unless certificates of Bank common stock are exchanged for certificates of Holding common stock. On and after the Effective Date, transfer of Holding common stock and any certificates and/or instruments representing such stock shall be restricted in any manner provided by Holding.

(iv) On the Effective Date, each issued and outstanding share of Bank common stock (other than shares held by shareholders who exercise their rights as dissenting shareholders under Alabama law) which is owned by any person who at any time during the Offering Period was not or cannot prove to Holding's satisfaction that he or she is a bona fide resident of the State of Alabama and that no person or entity who is not a bona fide resident of the State of Alabama at all times during the Offering Period owns or has any rights with respect to such Bank common stock, shall, ipso facto and without an action on the part of the holder thereof, or any other party, no longer represent such shares of Bank common stock and instead shall thereafter represent solely the right to cash payment by Holding for each such share in the amount of Fourteen Dollars (\$14.00) per share (the "Purchase Price"). After the Effective Date, such cash payment shall be made upon surrender to Holding of such properly endorsed

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certificates and/or stock powers by the holders thereof. No interest shall accrue to any such Bank shareholder on the amount of the Purchase Price to which such shareholder may become entitled pursuant to this Plan or Merger.

(v) On the Effective Date, capital stock of the Bank issued and outstanding immediately before the Effective Date (specifically, \$142,500 represented by 142,500 shares of common stock, par value \$1.00 per share) shall become the paid in capital of the Continuing Bank outstanding upon completion of the Merger, (less appropriate adjustments for shares held by non-Alabama shareholders or those who exercise their rights as dissenting shareholders under Alabama law). On the Effective Date, the Continuing Bank shall have surplus, and undivided profits, including capital reserves, equal to the capital structure of the Bank.

(f) Board of Directors. On the Effective Date, the Board of Directors of the Continuing Bank shall consist of all persons who were directors of Bank immediately before the Effective Date, who shall continue to serve as directors until their successors are duly elected and qualified in accordance with the By-Laws of the Continuing Bank. The names of all persons who are to serve as directors of the Continuing Bank are listed in Exhibit A attached hereto.

(g) Approvals. This Plan of Merger shall be submitted to the shareholders of Bank and Interim for approval at meetings to be called and held in accordance with

applicable provisions of law and the respective Articles of Incorporation and By-Laws of Bank and Interim. Bank and Interim shall proceed expeditiously and cooperate fully in the procurement of any other consents and approvals and in the taking of any other action, and the satisfaction of all other requirements prescribed by law or otherwise necessary or appropriate for consummation of the Merger and any other transactions contemplated hereby, including, without limitation, approval of the Board of Governors of the Federal Reserve System pursuant to the Bank Holding Company Act of 1956, as amended, the Federal Deposit Insurance Corporation, and the Alabama State Banking Department.

(h) Rights of Dissenting Shareholders. Any holder of Bank common stock who objects to the Merger may, by complying with the procedures set forth in Sections 10-2A-162 and 10-2A-163 of the Alabama Business Corporation Act, require the Continuing Bank to pay for such shares in cash at their fair market value. Thereafter, and subject to applicable regulatory approval, Holding shall acquire such shares for cash in an amount equal to the amount paid in purchasing such dissenting shareholder's stock. A copy of Sections 10-2A-162 and 10-2A-163 of the Alabama Business Corporation Act, is attached hereto as Exhibit B.

(i) Conditions Precedent to the Merger. This Merger, and the obligations of Bank, Interim and Holding to close the Merger, are subject to the following conditions,

any of which, however, may be waived, to the extent permitted by law, by mutual consent in writing of Bank, Interim and Holding.

(i) This Plan of Merger, and the Merger contemplated hereby, shall have been approved by vote of the shareholders of Bank and Interim as required by law; and

(ii) All consents and approvals, including those of all regulatory agencies having jurisdiction, shall have been procured, and all other requirements prescribed by law and which are necessary for consummation of the Merger shall have been satisfied.

(j) Termination. If:

(i) The number of shares of Bank capital stock voted against the Merger, or in respect of which written notice of objection to the Merger is given before the shareholders' meeting at which the Merger is submitted shall make consummation of the Merger inadvisable in the opinion of the Board of Directors of either Bank, Interim or Holding; or

(ii) Any action, suit, proceeding or claim has been instituted, made or threatened relative to the proposed transaction which shall make consummation of the Merger inadvisable in the opinion of the Board of Directors of either Bank, Interim or Holding; or

(iii) Any action, consent, or approval, governmental or otherwise, which is, or in the opinion of counsel for the Bank may be necessary to permit or enable the

Continuing Bank, on and after the Merger, to conduct all or any part of the business and activities of Bank as conducted or approved prior to the Effective Date, shall not have been obtained; or

(iv) For any reason consummation of the Merger is in the judgment of the Board of Directors of either Bank, Interim or Holding, inadvisable; then this Plan of Merger may be terminated and abandoned by Bank, Interim or Holding at any time before the Effective Date of the Merger, either before or after the shareholders' vote, by written notice to the other parties, such notice to be authorized or approved by resolution adopted by the Board of Directors of the party giving the notice.

Upon termination by written notice as provided in this Section (j), this Plan of Merger shall be void and of no further force and effect, and there shall be no liability for such termination by reason of this Plan of Merger on the part of any party hereto, or the directors, officers, employees, agents, or shareholders of any of them.

(k) Counterparts. This Plan of Merger may be executed in several identical counterparts, each of which when executed and delivered by the parties hereto shall be an original, but all of which together shall constitute a single instrument.

(l) Amendment. Bank, Interim and Holding, by mutual consent of their respective Boards of Directors, to the extent permitted by law, may amend, modify, supplement

and interpret this Plan of Merger in such manner as may be mutually agreed upon by them in writing at any time before or after adoption thereof by shareholders of Bank and Interim; provided, however, that no such amendment, modification or supplement shall change the amount of cash to be paid, or the number or kind of shares to be issued in exchange, for shares of Bank stock, except by the affirmative action of such shareholders as required by law.

IN WITNESS WHEREOF, Bank and Interim have caused this Agreement and Articles of Merger to be executed by their duly authorized officers and their corporate seals to be hereunto affixed as of the date first above written.

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ATTEST:

By: *Sam O. Daniel*
Its Assistant Secretary

Corporate Seal

SHELBY STATE BANK

By: *K. R. Kirkland*
K. R. Kirkland
Its President

ATTEST:

By: *Sam O. Daniel*
Its Assistant Secretary

Corporate Seal

SHELBY STATE INTERIM BANK

By: *K. R. Kirkland*
K. R. Kirkland
Its President

VERIFICATION OF SHELBY STATE BANK

I, the undersigned, as President of Shelby State Bank, an Alabama corporation ("Bank"), do hereby verify that the above and foregoing instrument represents the Plan of Merger and Reorganization Agreement among Bank, Shelby Interim Bank, and Shelby Bancshares, Inc., which Agreement was approved and adopted by the unanimous consent of the Directors and by a vote of the Shareholders owning 102,896 of the 142,500 issued and outstanding shares of Shelby State Bank.

This 2nd day of July, 1985.

K. R. Kirkland
K. R. Kirkland
Its President

Sworn to and subscribed before me on this 2nd day
of July, 1985.

Darius M. Mitchell
Notary Public

My commission expires 5-16-89

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VERIFICATION OF SHELBY STATE INTERIM BANK

I, the undersigned, as President of Shelby State Interim Bank, an Alabama corporation ("Interim"), do hereby verify that the above and foregoing instrument represents the Plan of Merger and Reorganization Agreement among Interim, Shelby State Bank, and Shelby Bancshares, Inc., duly approved and adopted by the unanimous consent of the Directors and the Shareholders of Shelby State Interim Bank.

This 2nd day of July, 1985.

K. R. Kirkland
K. R. Kirkland
Its President

Sworn to and subscribed before me on this 2nd day of July, 1985.

Darlene M. Stetzel
Notary Public

My commission expires 5-16-89

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EXHIBIT A

Directors of Continuing Bank

M. M. Argo, Jr.

D. H. Ballard

Ben F. Grubbs

K. R. Kirkland

Roy L. Martin

James H. Strickland, Jr.

Lloyd A. Rafalsky

Louie P. Wilson

EXHIBIT B

Sections 10-2A-162 and 10-2A-163 of the
ALABAMA BUSINESS CORPORATION ACT

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SUPERINTENDENT OF BANKS

STATE OF ALABAMA

MONTGOMERY, ALABAMA

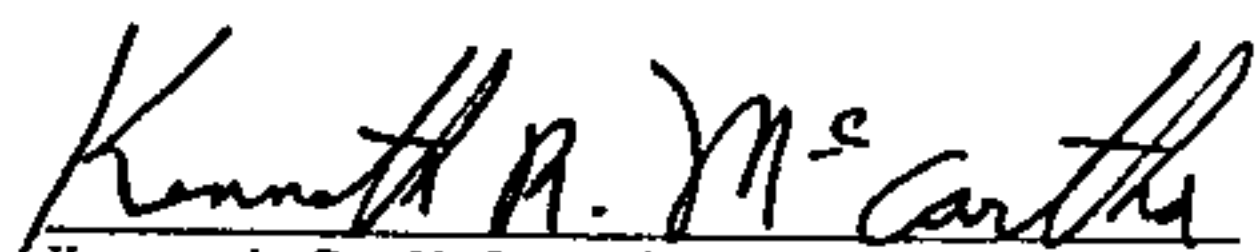
CERTIFICATE OF APPROVAL OF BANK MERGER

WHEREAS, satisfactory evidence has been presented to the Superintendent of Banks of the State of Alabama, including certificates of all proceedings, showing that all requisite legal and corporate actions have been taken by Shelby State Bank, located at Pelham, Alabama, and Shelby State Interim Bank, located at Pelham, Alabama, in accordance with Sections 10-2A-140, 10-2A-142, 10-2A-143, and 5-7A-3, Code of Alabama 1975, to merge those two state banks in accord with their Plan of Merger and Reorganization Agreement dated March 18, 1985, the continuing bank to operate under the Articles of Incorporation and title of Shelby State Bank; said merger to become effective June 1, 1985;

NOW, THEREFORE, IT IS HEREBY FOUND that the merger would be for the best interest of the institutions affected and IT IS HEREBY CERTIFIED that the entire proceedings of the merger are approved in all respects on this the 6th day of May, 1985.

IN TESTIMONY WHEREOF, WITNESS my signature and the official seal of office on this 6th day of May, 1985.




Kenneth R. McCartah
Superintendent of Banks
State of Alabama

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STATE OF ALABAMA

I, Don Siegelman, Secretary of State, of the State of Alabama, having custody of the Great and Principal Seal of said State, do hereby certify that duplicate originals of Articles

of Merger merging Shelby State Interim Bank into Shelby State Bank, both Alabama corporations

duly signed and verified pursuant to the provisions of Section 10-2A-143, Code of Alabama, 1975, have been received in this office and are found to conform to law.

Accordingly the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Merger merging Shelby State Interim Bank into Shelby State Bank

and attaches hereto a duplicate original of the Articles of Merger.

In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State, at the Capitol, in the City of Montgomery, on this day.

July 8, 1985

Date

Don Siegelman

Don Siegelman

Secretary of State

Rec 25.00
Ind 1.00
26.00

1985 JUL 11 AM 9:16 HV 11 700 SUB

STATE OF ALABAMA
I CERTIFY THAT
THIS IS A TRUE AND
COMPLETE COPY OF
THE DOCUMENT FILED IN
THIS OFFICE

Secretary of State
State of Alabama

I hereby certify that this
is a true and complete copy of
the document filed in this office
on July 8, 1985.

Dated July 8, 1985.

Secretary of State
Don Siegelman

Don Siegelman