

ARTICLES OF MERGER

OF

FARMERS BANK OF SUNBURY

INTO

FIRST-CITIZENS BANK & TRUST COMPANY

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FILED
THAD EURE
SECRETARY OF STATE
NORTH CAROLINA

The undersigned corporations hereby execute these Articles of Merger for the purpose of merging into one of such corporations:

I. The following Plan of Merger was duly approved by First Citizens Corporation, the sole shareholder of First-Citizens Bank & Trust Company, on January 14, 1985 and by the shareholders of Farmers Bank of Sunbury in a duly convened shareholders' meeting on March 19, 1985, said approval being in the manner prescribed by law:

ARTICLE I
GENERAL

1.0 First-Citizens Bank & Trust Company shall be referred to herein as "First-Citizens" or "the receiving bank"; Farmers Bank of Sunbury shall be referred to herein as "Farmers" or "the merging bank"; First Citizens Corporation shall be referred to herein as "FCC"; and First-Citizens and Farmers shall sometimes be referred to herein collectively as the "Constituent Parties".

1.1 Until the completion of the merger, or its abandonment as provided herein, each of the Constituent Parties and FCC shall continue to conduct its customary business without material change. Neither of the Constituent Parties nor FCC shall make any distribution or other disposition of assets, capital or surplus, except in the ordinary course of business, make any change in its capital structure or declare any stock or other dividend [except (1) by First-Citizens to FCC or by FCC (a) to effectuate a merger with Farmers Bank, Pilot Mountain, North Carolina, pursuant to an Agreement and Plan of Merger dated October 15, 1984, by and among Farmers Bank, First-Citizens and FCC, plus any expenses and costs of said merger, (b) to effectuate a merger with First State Bank, Winterville, North Carolina, pursuant to an Agreement and Plan of Merger dated October 15, 1984, by and among First State Bank, First-Citizens and FCC, plus any expenses and costs of said

merger, (c) to acquire all or substantially all of the issued stock or assets of another bank or closely related entity, or (d) to redeem or otherwise acquire FCC stock within the authority now outstanding from, or hereafter given by, its shareholders; (2) by either FCC or First-Citizens in the lawful exercise of its fiduciary capacity; or (3) by FCC in the normal course of carrying out any conversion privileges on FCC preferred stock outstanding at the time of this Agreement], or make any payments to officers and employees other than usual compensation and reasonable increases thereof made in the ordinary course and practice of the Constituent Parties and FCC, or change its Articles of Incorporation or Bylaws so as to have any effect contrary or inconsistent with the purposes of this Agreement except as specified above for First-Citizens and FCC, or do any other act that will impair, or reasonably be calculated to impair the book value of its shares of common stock except as specified above for First-Citizens and FCC; provided, however, that these provisions shall not prohibit the declaration and payment of cash dividends out of current net earnings on a regular quarterly, semi-annual or annual basis at rates, times and in the manner established and utilized for such dividends during the twelve months immediately preceding the date hereof, or as otherwise agreed among the parties.

1.2 Farmers and First-Citizens shall submit an Application to the North Carolina Commissioner of Banks ("Commissioner"), the State Banking Commission of North Carolina ("Commission"), the Federal Deposit Insurance Corporation ("FDIC") and other authorities of the State of North Carolina and the United States having jurisdiction in such matters to obtain the approvals necessary for FCC to obtain control of Farmers by means of the merger of Farmers into First-Citizens pursuant to the terms of this Agreement. In accordance with the procedure for merger established by the North Carolina General Statutes ("N.C.G.S."), including, but not limited to N.C.G.S. §55-106, this Agreement has been presented to the Boards of Directors of FCC, First-Citizens and Farmers and by resolution has been adopted by each of said Boards of Directors. Execution of this Agreement evidences the approval by each of the Boards of Directors and, after the preparation of the necessary proxy materials, notice shall be given to all shareholders of Farmers of a special meeting to be called and held by Farmers in accordance with the provisions of N.C.G.S. §55-108 and §53-12, whereby each shareholder of Farmers shall receive at least twenty (20) days notice of the special meeting. The merger proposal with First-Citizens, as contained in this Agreement and which has been adopted by the Directors of Farmers, shall be presented to the shareholders of Farmers at its special meeting. FCC, as the sole shareholder of First-Citizens, shall approve

the Agreement as shareholder of First-Citizens. A copy of this Agreement shall be distributed to all shareholders of Farmers with the notice of the special meeting and the notice shall contain a statement displayed with reasonable prominence to the effect that dissenting shareholders are entitled, upon compliance with N.C.G.S. §55-113, including the twenty (20) days notice requirement, to be paid the fair value of their shares as provided in that Section.

1.3 Upon the requisite approval of the merger proposal in this Agreement by the shareholders of Farmers, as set forth above, the officers of the Constituent Parties and FCC shall be directed to take all steps reasonable and reasonably necessary to effectuate the merger.

1.4 First-Citizens and FCC will provide as much of the preparation of the proxy material and other documentation and such other services required for the merger and the carrying out of this Agreement as reasonably feasible. All legal and other documents and materials involved in the preparation for and carrying out of the merger and the accomplishment of this Agreement will be subject to the review and prior approval of First-Citizens' counsel. Reasonable attorneys' fees for Farmers' counsel will be considered normal operating expenses of Farmers. If the merger is not consummated, First-Citizens and FCC shall bear their expenses incurred in the merger attempt and Farmers shall bear its expenses so incurred, including its attorneys' fees.

1.5 Upon the Effective Date (as defined in Article II), the shareholders of Farmers will exchange all of the issued and outstanding shares of common stock of Farmers with First-Citizens in return for cash or Notes, or an equivalent combination thereof, in the amount of Seventy-Six and No/100 Dollars (\$76.00) for each one (1) share of common stock of Farmers so exchanged. Each Note shall be substantially in the form attached as Exhibit D hereto and shall include the following terms and conditions:

(a) Interest. The annual rate of interest on each Note shall be 12% and shall be payable semi-annually, in arrears, until maturity of the Note. Interest shall commence to accrue on the Effective Date, with the first interest payment being payable on a date six months after the Effective Date and the next interest payment being payable on a date one year from the Effective Date. Subsequent interest payments shall be payable on the anniversaries of the foregoing interest payment dates. Interest shall cease to accrue on and after the maturity date of the Note. The interest on the Notes payable on each

interest payment date shall be payable to those registered owners of the Notes appearing on the Note register maintained by First-Citizens as of the tenth day prior to each such interest payment date.

(b) Principal. The Notes shall be issuable only in whole dollar amounts selected by each Farmers shareholder for the total amount elected to be in Notes. Principal shall be paid at maturity, upon surrender of the Note.

(c) Maturity. Each Note shall mature on an anniversary of the Effective Date from one through five, and the Notes of a Farmers shareholder may mature on one or a combination of the first, second, third, fourth or fifth anniversaries of the Effective Date, at the option of the respective Farmers shareholders electing to receive the same.

(d) Options. The option as to maturity dates, together with the option as to whether a Farmers shareholder will receive cash and/or Notes, or an equivalent combination thereof, shall only be exercisable by those Farmers shareholders who are the registered owners of shares of Farmers stock as of a record date not less than three nor more than ten days prior to the mailing of an appropriate form to such shareholders for such purpose. Such shareholders must complete and return such form to First-Citizens on or before a date not less than ten nor more than thirty days prior to the Effective Date. Such shareholders shall have not less than ten nor more than thirty days within which to return said form to First-Citizens after the date such forms are mailed to such shareholders. Failure of a Farmers shareholder to return the form within the prescribed period shall constitute an election to receive cash for all of the shares of Farmers stock owned by such shareholder.

(e) Registration. All Notes will be fully registered as to principal and interest on the Note register maintained for that purpose by First-Citizens. The Notes are non-negotiable and non-transferable and are not redeemable prior to maturity; provided, however, (i) upon the death of the registered owner thereof, the Notes owned by the decedent shall be transferable by the representative of the estate of the decedent upon receipt of such documentation as may be required by First-Citizens, or, at the option of such representative, such Notes shall be redeemed by First-Citizens for the principal amount thereof plus accrued interest to the redemption date, and (ii) the Notes may be transferred to any member of a Farmers shareholder's immediate family (i.e., spouses and their children) or to an inter vivos trust for the benefit of any member of such family. Permitted transfers of the Notes shall

only be effected by delivering the same to First-Citizens for transfer on the Note register maintained by First-Citizens together with such documentation as First-Citizens may require.

(f) Security. The Notes will be unsecured obligations of First-Citizens and will not be eligible as collateral for loans made by First-Citizens. The Notes will not be deposits of First-Citizens and will not be insured by the Federal Deposit Insurance Corporation or any other government agency.

(g) Default. If any of the following events shall occur and be continuing: (i) default, continuing for thirty (30) days after receipt by First-Citizens of written notice thereof, in the payment of any installment of interest on any of the Notes; (ii) default, continuing for thirty (30) days after receipt by First-Citizens of written notice thereof, in the payment of principal of any Notes upon surrender thereof at maturity; or (iii) bankruptcy or insolvency proceedings are instituted by or against First-Citizens which are not terminated within thirty (30) days; then the registered owner of such Note may at any time (unless the default shall theretofore have been remedied or waived), by written notice to First-Citizens, declare the unpaid principal of the Note and all interest then accrued thereon to be immediately due and payable without presentment or any other demand or notice of any kind.

(h) Other. The Notes shall contain such other terms and conditions as First-Citizens may reasonably deem appropriate and such other or different terms and conditions as may be required by applicable regulatory authorities.

After the requisite approvals have been obtained from the shareholders and the regulatory agencies, and prior to the Effective Date, the shareholders of Farmers will be notified and requested to designate in writing their election to receive Notes or cash or an equivalent combination of both. The designations will be honored subject to the limitations specified above. Any shareholder of Farmers not making an election in writing within the time period set forth in the request for designations to be sent to shareholders of Farmers shall be deemed to have elected to receive cash in exchange for all of such non-electing shareholder's shares of common stock of Farmers held of record by him on the Effective Date.

1.6 Any shareholder of Farmers who perfects his Dissenter's rights pursuant to N.C.G.S. §55-113 and as further described in Article V, "Dissenters' Rights", and in Exhibit A shall be deemed to have elected cash. First-Citizens shall be

responsible for the payment of any fair value determined to be due for the shares owned by a dissenter who perfects said dissenter's rights and to pay damages imposed by N.C.G.S. §55-113, which said payment shall be in lieu of the presumed elected cash payment for the said shares.

1.7 Shareholders of Farmers who elect to exchange part or all of their shares of common stock of Farmers held by them of record on the Effective Date for cash or make no election and are therefore deemed to have elected cash, but who do not surrender their certificates for the shares of common stock of Farmers held by them of record on the Effective Date (hereinafter called "Outstanding Certificates") in exchange for the elected cash shall not be entitled to payment therefor, until surrender of their Outstanding Certificates for the shares elected. The amount of cash, without interest, payable in exchange for each Outstanding Certificate which did not elect to exchange for Notes shall be paid to the owner thereof upon the surrender of such Outstanding Certificate.

1.8 Shareholders of Farmers who elect to exchange part or all of their shares of common stock of Farmers, held by them of record on the Effective Date, for Notes, but who do not surrender their Outstanding Certificates in exchange for the elected Notes, shall not be entitled to receive said Notes until surrender of their Outstanding Certificates for the Notes elected. The Notes shall be delivered upon the surrender of the Outstanding Certificates, together with payment of any interest (which shall accrue from the Effective Date) and principal due and payable pursuant to the terms and conditions of the Notes.

1.9 The completion of this merger shall not be delayed to await the actual exchange of stock for Notes and/or cash payment or any other transactions except those specifically required by law or set out in this Agreement. Upon the effectiveness of the merger, the shareholders of Farmers shall have only the rights and privileges of receiving cash or the Notes which have been properly elected and the rights and privileges established in this Agreement.

1.10 Registered owners of Farmers stock, the certificates of which have been lost, destroyed or stolen, shall be entitled to issuance of new certificates in accordance with the provisions of N.C.G.S. §25-8-405 and §25-8-104.

ARTICLE II
EFFECTIVE DATE; EFFECT OF MERGER

2.0 The merger between First-Citizens and Farmers shall be effective on a calendar date to be mutually agreed

among the parties and shall be no later than twenty (20) calendar days after the happening of all of the following:

a. This Agreement has been duly authorized and approved by the sole shareholder of First-Citizens and by two-thirds of the outstanding shares of Farmers at a shareholders' meeting after due notice, said vote and approval to be in accordance with N.C.G.S. §55-108 and §53-12; and,

b. This Agreement and all the corporate actions of FCC and the Constituent Parties with respect thereto have been approved, to the extent that such approval is required by law, by the supervisory authorities, all governmental officials, bodies or boards, whether of the United States of America or the State of North Carolina, having jurisdiction with respect to the proposed merger and any matters relating to FCC; and,

c. First-Citizens is authorized by the supervisory authorities to operate the banking offices in Sunbury, Elizabeth City, Gates and Morgans Corner, North Carolina at the locations operated by Farmers; and,

d. The expiration of any waiting period required by any supervisory authority, whether State or federal; and,

e. The Articles of Merger, which shall include the terms and conditions of this Agreement have been presented to the Secretary of State for filing and have been filed by that official in accordance with the law in such cases made and provided.

The said calendar date of effectiveness shall herein be referred to as the "Effective Date".

2.1 As soon as practicable thereafter, a certified copy of the Articles of Merger and a Certificate of Merger shall be recorded in the offices of the Register of Deeds of Gates, Pasquotank and Wake Counties, North Carolina.

2.2 On the Effective Date of the merger:

a. First-Citizens shall be the receiving bank of the merger of Farmers into First-Citizens and the corporate existence of Farmers shall, pursuant to the provisions of N.C.G.S. §55-106 et seq., §53-12 and §53-13 be merged into that of First-Citizens. All and singular of Farmers' rights, powers,

privileges and franchises, and all of Farmers' property, including all right, title, interest in and to all property of whatsoever kind, whether real, personal or mixed, and things in action, and every right, privilege, interest or asset of any conceivable value or benefit then existing, belonging or pertaining to Farmers, or which would inure to Farmers under any unmerged existence, shall immediately by act of law and without any conveyance or transfer, and without any further act or deed, be vested in and become the property of First-Citizens, which shall have, hold and enjoy the same in its own right as fully and to the same extent as if the same were possessed, held or enjoyed by Farmers; and First-Citizens shall absorb fully and completely the merging bank.

- b. All rights of creditors and all liens, if any, upon the property of the Constituent Parties shall be preserved and remain unimpaired by the merger. The receiving bank shall assume and be responsible for all debts, liabilities, duties and obligations of the Constituent Parties, and the same may be enforced against it as if originally incurred by it.
- c. The Charter and Bylaws of First-Citizens in effect on the Effective Date of merger shall be the Charter and Bylaws of First-Citizens as the surviving corporation. The officers of First-Citizens in office on the Effective Date of merger shall continue to hold office until removed or until the election of their respective successors.
- d. First-Citizens' offices shall remain offices of First-Citizens and the offices of Farmers located in Sunbury, Elizabeth City, Gates, and Morgans Corner, North Carolina, shall become branch offices of First-Citizens as the receiving bank.
- e. Upon the effectuation of the merger, Farmers, as a corporate entity, shall cease. The duration of the corporate existence of First-Citizens, as the surviving corporation, shall be perpetual and unlimited.

ARTICLE III
BOARDS OF DIRECTORS

3.0 On the Effective Date, the Boards of Directors of FCC and First-Citizens shall continue as then constituted.

3.1 Each Director of Farmers as of the date on which this Agreement is approved by the Board of Directors of Farmers and who is a Director of Farmers on the Effective Date will become a local Director of First-Citizens at Sunbury, N. C. and will be paid a Director's fee of \$1,800 per year to be paid semi-annually in arrears on December 15 and June 15. Each local Director shall serve for a period which ends on the day on which the earliest of the following events occurs: (a) The Director dies; (b) The Director resigns voluntarily or is required to resign by the F.D.I.C. or other governmental or regulatory authority; or, (c) The Director receives said semi-annual Director's fees for a period covering sixty (60) consecutive months following the Effective Date unless extended at the pleasure of First-Citizens.

ARTICLE IV
TREATMENT OF DEPOSITORS AFTER MERGER

4.0 Each depositor with Farmers shall, upon the Effective Date, automatically become a depositor of a First-Citizens account in a dollar amount equal to his Farmers account on the Effective Date. Each such depositor shall be entitled to all of the rights and privileges of a depositor of First-Citizens, in accordance with its rules and regulations then in effect, and shall be issued evidence of his First-Citizens account upon request at the earliest practicable time. First-Citizens shall recognize and continue the terms and maturities of all certificates of deposit and any other contracts of Farmers issued and outstanding on the Effective Date, if any, until their maturity or termination prior to maturity as prescribed by such certificates or contracts.

ARTICLE V
DISSENTERS' RIGHTS

5.0 Any shareholder of Farmers desiring to perfect his rights of appraisal in connection with the merger must give written notice of objection to the merger of Farmers into First-Citizens prior to or at the special meeting of shareholders to be called to act on this Agreement. Any such shareholder who has not voted in person or by proxy in favor of this Agreement must thereafter, within twenty (20) days after the date on which the vote was taken at said special meeting,

make written demand for payment of the fair value of his shares of common stock of Farmers. Provided the foregoing and all other provisions of North Carolina law are complied with, such shareholder shall be entitled to receive payment for his shares in accordance with N.C.G.S. §55-113. First-Citizens shall be responsible for the payment of any fair value determined to be due for the shares owned by a dissenter who perfects said dissenter's rights and to pay damages imposed by N.C.G.S. §55-113, which said payments shall be in lieu of the presumed elected cash payment for the said shares. A copy of the provisions of N.C.G.S. §55-113 is attached hereto as Exhibit A and by reference thereto is incorporated in its entirety herein.

ARTICLE VII
PERSONNEL

6.0 All the personnel regularly employed on a full-time basis by Farmers who are physically and mentally capable of continuing such employment shall be offered like employment by First-Citizens to be effective on the Effective Date. If such employment is accepted, each accepting employee shall come within the benefit programs of First-Citizens and the effective date of employment for purposes of determining eligibility, vesting and benefits under the Pension Plan and other benefit programs shall be the date of last continuous employment of such employee with Farmers. No gaps will occur in medical insurance coverage for such employees or their dependents, where applicable. The accepting employee will be responsible for providing the necessary information to First-Citizens which is requested by First-Citizens to complete enrollment in the various benefit programs. Each accepting employee's compensation arrangements for the calendar year in which the Effective Date occurs shall be continued on the basis of the then current arrangements with Farmers or as established by each accepting employee with First-Citizens. The current Pension Plan of Farmers shall be terminated and merged into the Pension Plan of First-Citizens on the Effective Date.

6.1 All employees of Farmers who become employees of First-Citizens shall be entitled to participate in such employee benefit plans on a non-discriminatory basis.

6.2 On the Effective Date, First-Citizens shall enter into employment contracts with T. L. Hutto, Calvin W. Kirby and Mae B. Spivey under such terms and conditions as are at least as favorable to such persons as their present employment with Farmers. The specific terms and conditions shall be set forth in an individual employment agreement between First-Citizens and each such person.

6.3 Upon the merger becoming effective, First-Citizens shall indemnify the President and former Directors, officers and employees of Farmers to the same extent as such persons would have been entitled to be indemnified by Farmers under the provisions of N.C.G.S. §§55-19, 55-20, and 55-21 as if Farmers had not been merged with First-Citizens.

ARTICLE VII
FARMERS' REPRESENTATIONS AND WARRANTIES

Farmers represents and warrants the following, the truth and accuracy of which shall constitute a condition precedent to First-Citizens' and FCC's obligations hereunder and which are a material part of the consideration for this Agreement:

7.0 Farmers is a banking corporation, duly incorporated, validly existing and chartered under the laws of the State of North Carolina, and its accounts are insured by the Federal Deposit Insurance Corporation. It has the authority and power to transact the business in which it is engaged and to own the property owned by it. It has all licenses, permits and certificates requisite to the conduct of its business.

7.1 Farmers is authorized to issue 100,000 shares of \$2.50 par value common capital stock, 72,600 of which are currently issued and outstanding. All of such outstanding shares of Farmers are validly issued, fully paid and nonassessable. There are no outstanding options, warrants or rights to subscribe for or purchase any shares of Farmers or any other securities which will be convertible into or exchangeable for Farmers' shares. Farmers has no subsidiary or affiliated corporations.

7.2 Farmers' audited Statements of Financial Condition for the years ended December 31, 1983, 1982 and 1981, and its related Statements of Income, Operations and Retained Earnings for each of the years in the three-year period ended December 31, 1983 (collectively "Financials"), and its unaudited Financials as of September 30, 1984, are complete and correct and accurately portray the assets, liabilities and financial condition of Farmers for such periods and on such dates, and were prepared in accordance with generally accepted accounting principles applied on a consistent basis; and except as noted in its December 31, 1983 Statements of Financial Condition, Farmers has no liability of any nature, whether absolute, accrued, contingent or otherwise, unless such was incurred in the usual course of business.

7.3 Except as set forth in Exhibit B, there has been no material adverse change in Farmers' financial condition since December 31, 1983 and since that date Farmers has conducted its business in the usual manner without material adverse change, which it shall continue to do until the Effective Date, unless First-Citizens has given written consent for any variance.

7.4 Except as noted in Exhibit B, there is no litigation or proceeding, or any investigation preliminary thereto, of any nature threatened or pending against Farmers or affecting any of its properties before any court or governmental body; and there is no default or incurred penalty under any lease or contract or obligation binding upon Farmers.

7.5 Farmers is not in default under any agreement relating to its business or services. All agreements to which Farmers is a party are noted in Exhibit B and copies thereof have been furnished to First-Citizens or will be furnished immediately.

7.6 Farmers has marketable fee simple title to all real estate and the furniture, fixtures and equipment utilized by it at each of its four (4) offices and the tangible and intangible personal property, including stocks, bonds and other securities reflected in its financial statements, free and clear of all liens and encumbrances, except those disclosed on the financial statements or in writing to First-Citizens and also has a title policy or an abstract of title and an attorney's opinion or other satisfactory evidence of title supporting this representation and warranty as to its real property. All deeds or other instruments as to such properties and assets are in full force and effect. No modification or change in said condition of ownership and title will be made prior to the Effective Date except in the ordinary course of business without the prior written consent of First-Citizens.

7.7 All accounts and notes receivable of Farmers are current and collectible unless otherwise reflected in the current Financials of Farmers or as otherwise described to First-Citizens in writing and a reasonable reserve for bad debts has been established. Farmers has proper and adequate documentation in its files on secured loans creating such liens on the property covered by the security agreements or deeds of trusts, subject to such exceptions which are disclosed in an attorney's certificate or opinion regarding title or in title insurance policies in the file in connection with each loan, except any release of a portion of the secured property, in which case the loan file pertaining to the loan contains a copy of a partial release in an amount not less than the present balance of the loan.

All secured loans were closed on the basis of the priorities of said loans based upon title insurance or an attorney's opinion showing the status of such deed of trust on the property or according to the priorities of liens filed under the Uniform Commercial Code.

7.8 Except as noted in Exhibit B, Farmers is not liable or contingently liable as a guarantor, surety or endorser in connection with the obligation or obligations of any other person, firm, partnership, corporation or any other type of entity, and no third person (not an officer of Farmers) has the power to confess judgment against Farmers.

7.9 All corporate proceedings required to be taken by the Directors of Farmers to authorize Farmers to enter into and carry out this Agreement have been duly and properly taken, and this Agreement has been duly executed and delivered by Farmers and is valid and enforceable against Farmers in accordance with its terms, subject to the required shareholder approval. All corporate and legal action required to further carry out the merger in the manner agreed upon properly shall be taken by Farmers and its proper officers, Directors and employees.

7.10 Farmers' minute books contain a complete and accurate record of all formal actions taken by its Board of Directors and its books of accounts, correspondence and financial records have been kept in the usual course of business and are complete except for disposals of records made in accordance with accepted business practice. Subject to receipt of necessary regulatory approvals, neither the execution of this Agreement, the consummation of the transactions contemplated hereby, the performance of any obligations hereunder, or compliance by Farmers with any other provisions hereof will (i) conflict with or result in a breach of or default or cause for acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or any other instrument or obligation (including, without limitation, Farmers' articles of incorporation or bylaws now in existence) to which Farmers is a party or by which it or any of its properties or assets may be bound, (ii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Farmers, its properties or assets, or (iii) result in the creation of any lien, charge or encumbrance under any note, bond, mortgage, indenture, license or other instrument or order binding upon Farmers.

7.11 From the date of this Agreement through the Effective Date, Farmers shall not have sold, transferred or encumbered any of its fixed assets or in any manner increased its liabilities other than in the ordinary course of business.

7.12 Since the date of the audited December 31, 1983 Financials of Farmers, there have occurred:

(1) no materially adverse events or conditions relating to Farmers' labor management relations;

(2) no general increases in compensation of Farmers' Directors, officers, employees or agents except in conformity with Farmers' established compensation structure or arrangements;

(3) no change in the conditions (financial or other) of Farmers' properties, assets or business except changes in the ordinary course of business which have not been materially adverse;

(4) no destruction, damage by fire, accident or other casualty or act of God of or to any of Farmers' properties or assets exceeding \$1,000 in value not covered by insurance or affecting in a material and adverse way its operation of its business as it is now conducted; and

(5) no material change in Farmers' accounting methods or practices, or any change in depreciation or amortization policies or rates theretofore adopted by it.

7.13 Farmers maintains and has maintained customary insurance with respect to its properties and liabilities to third persons and detailed on Exhibit B is a true and complete list of all insurance maintained by it. After execution of this Agreement and until the consummation of the merger, Farmers shall keep its properties protected by insurance, for the account of itself and First-Citizens, as their interest may appear, for the risks and in the amounts of coverage it customarily carries but in no event shall the risks and amounts be less than those which are prudent under the circumstances.

7.14 Except as disclosed in Exhibit B, there are no known existing violations by Farmers of any law, regulation or ordinance materially adversely affecting its business or assets. All required federal and state tax returns have been filed and all tax payments made when due. Further, all allocations and reserves for taxes for the current year are reasonably accurate.

7.15 Except as to those items listed or described in Exhibit B attached hereto and incorporated herein by reference, Farmers is not now, and, prior to consummation of the merger shall not become (without First-Citizens' consent), a party to (in its own name or as successor in interest to any predecessor) or bound by any written or oral:

- (1) Contract not made in the ordinary course of business or contract materially and adversely affecting Farmers;
- (2) employment, advisory or consulting contract;
- (3) contract with any labor or trade union or association concerning the employees of Farmers or any affiliates;
- (4) bonus, pension (except the qualified Pension Plan which was outstanding as of December 31, 1984 and which is to be terminated and merged into the First-Citizens Pension Plan on the Effective Date), profit-sharing, retirement, stock purchase, hospitalization insurance or other plan providing new or expanded employee benefits;
- (5) lease with respect to any property, real, personal or mixed, whether as lessor or lessee;
- (6) continuing contract for the future purchase of materials, supplies, equipment or services;
- (7) single contract for expenditures or commitment for expenditures in excess of \$1,000 per year; or
- (8) repurchase agreement relative to any loan.

7.16 No representation or warranty by Farmers nor any statement, list, summary, description or certificate furnished or to be furnished by Farmers or on its behalf to First-Citizens pursuant hereto or in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state a known material fact necessary to make the statements contained therein not misleading.

7.17 The information heretofore delivered to First-Citizens is true, accurate and complete as of the dates indicated therein.

7.18 Farmers has employed no broker or finder in connection with the merger transaction.

7.19 Except for matters approved in writing by First-Citizens, each of the above representations, warranties and covenants will be true and correct on the Effective Date.

ARTICLE VIII
FIRST CITIZENS' AND FCC'S REPRESENTATIONS AND WARRANTIES

First-Citizens and FCC each severally hereby represent the following, the truth and accuracy of which shall constitute a condition precedent to Farmers' obligations hereunder and which are a material part of the consideration for this Agreement and which shall survive the consummation of the merger:

8.0 First-Citizens is a banking corporation, duly incorporated, validly existing and chartered under the laws of the State of North Carolina, and its accounts are insured by the Federal Deposit Insurance Corporation. FCC is a corporation duly incorporated, validly existing and chartered under the laws of the State of North Carolina and on December 10, 1982, became and continues to be the one bank holding company for First-Citizens. First-Citizens and FCC have the authority and power to transact the businesses in which they are engaged and to own the property owned by them. They have all licenses, permits and certificates requisite to the conduct of their businesses.

8.1 The consummation of the transactions provided for in this Agreement will not result in the breach of any of the terms, conditions or provisions of, or constitute a default under, any indenture, agreement or other instrument to which either First-Citizens or FCC is a party or by which either may be bound or affected.

8.2 First-Citizens is authorized to issue 90,507 shares of \$100 par value common capital stock, all of which 90,507 shares are issued and outstanding. FCC is authorized to issue: 126,975 shares of \$100 par value common capital stock, of which 76,762 shares are issued and outstanding; 32,368 shares of Series C Preferred stock, par value \$20; 8,000 shares of Series D Preferred stock, par value \$100; 82,200 shares of Series E Preferred stock, par value \$40; and 35,260 shares of Series F Preferred stock, par value \$50, all of which preferred shares are currently issued and outstanding. Pursuant to the outstanding approval by the shareholders of FCC authorizing a redemption of common stock of FCC up to ten percent (10%) of its consolidated net worth, some additional shares of FCC common stock may be held as treasury stock prior to the Effective Date. All of the outstanding shares of First-Citizens and FCC are validly issued, fully paid and nonassessable. All of the outstanding shares of common stock of First-Citizens are owned by FCC.

Except as described above, there are no outstanding options, warrants or rights to subscribe for or purchase any shares of First-Citizens or FCC or any other securities which are convertible into or exchangeable for FCC common shares. First-Citizens currently has the following wholly-owned subsidiary corporations: First Title Insurance Company, which has as its subsidiary National Title Insurance Agency, Inc.; American Guaranty Insurance Company; Neuse, Incorporated; Triangle Life Insurance Company; Atlantic Resorts, Inc.; First Carolina Capital Corporation; and Stockton, White & Company, which has the following subsidiaries: SWCO, Inc.; Greenhaven Apartments, Inc.; and Kildaire Corporation.

8.3 FCC's, and/or First-Citizens', as applicable, audited Consolidated Statements of Condition as of December 31, 1983, 1982 and 1981, and its related Consolidated Statements of Income for the three years ended December 31, 1983 (collectively "Financials"), and its unaudited Financials as of September 30, 1984, are complete and correct and accurately portray the consolidated assets, liabilities and financial condition of FCC for such periods and on such dates, and were prepared in accordance with generally accepted accounting principles applied on a consistent basis; and except as noted in its December 31, 1983 Consolidated Statements of Condition, FCC has no liability of any nature, whether absolute, accrued, contingent or otherwise, unless such was incurred in the usual course of business.

8.4 Except as set forth in said Exhibit C, there has been no material adverse change in FCC's consolidated financial condition since December 31, 1983, and since that date, FCC and First-Citizens each has conducted its business in the usual manner, which each shall continue to do until the Effective Date, except for the transactions authorized in Section 1.1.

8.5 Except as noted in Exhibit C, there is no material litigation or proceeding, or any investigation preliminary thereto, of any nature threatened or pending against either First-Citizens or FCC or affecting any of their properties, before any court or governmental body; and there is no default or incurred penalty under any lease or contract or obligation binding upon either First-Citizens or FCC.

8.6 Neither First-Citizens nor FCC is in default under any agreement relating to its business or services.

8.7 First-Citizens and FCC have marketable fee simple title to all real estate and tangible and intangible personal property including stocks, bonds and other securities reflected

in their financial statements, free and clear of all material liens and encumbrances except those disclosed on the financial statements or arising in the ordinary course of business. All deeds or other instruments to such properties and assets are in full force and effect and there are no material defaults thereunder.

8.8 All corporate proceedings required to be taken by the Directors of First-Citizens and FCC to authorize each corporation to enter into and carry out this Agreement have been duly and properly taken, and this Agreement has been duly executed and delivered by First-Citizens and FCC and is valid and enforceable against First-Citizens and against FCC in accordance with its terms and subject to the required shareholder approvals to effectuate this Agreement. All corporate and legal action required to further carry out the merger in the manner agreed upon properly shall be taken by First-Citizens and FCC and their respective proper officers, Directors and employees. The Notes, when issued as contemplated by this Agreement, will represent valid and binding obligations of First-Citizens in accordance with their terms.

8.9 Except as noted in Exhibit C, neither First-Citizens nor FCC is liable or contingently liable as a guarantor, surety or endorser in connection with any material obligation or obligations of any other person, firm, partnership, corporation or any other type of entity, and no third party (not an officer of First-Citizens or FCC) has the power to confess judgment against either First-Citizens or FCC.

8.10 First-Citizens' and FCC's minute books contain a complete and accurate record of all formal actions taken by their respective Boards of Directors and Executive Committees acting by and on behalf of the entire Boards of Directors, and their books of accounts, correspondence and financial records have been kept in the usual course of business and are complete except for disposals of records made in accordance with accepted business practice. Subject to receipt of necessary regulatory approvals, neither the execution of this Agreement, the consummation of the transactions contemplated hereby, the performance of any obligations hereunder, or compliance by First-Citizens and FCC with any other provisions hereof will (i) conflict with or result in a breach of or default or cause for acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or any other instrument or obligation (including, without limitation, First-Citizens' and FCC's articles of incorporation, as amended, or bylaws) to which First-Citizens or FCC is a party or by which they or any of their properties or

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assets may be bound, (ii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to First-Citizens or FCC or their properties or assets, or (iii) result in the creation of any lien, charge or encumbrance under any note, bond, mortgage, indenture, license or other instrument or order binding upon either First-Citizens or FCC.

8.11 First-Citizens and FCC maintain and have maintained customary insurance with respect to their respective properties and liabilities to third persons.

8.12 Except as disclosed in Exhibit C, there are no known existing material violations by First-Citizens or FCC of any law, regulation or ordinance adversely affecting their respective business or assets.

8.13 No representation or warranty by First-Citizens or FCC nor any statement, list, summary, description or certificate furnished or to be furnished by First-Citizens or FCC or on either's behalf to Farmers pursuant hereto, or in connection with the transaction contemplated hereby, contains or will contain any untrue statement of a material fact or omits or will omit to state a known material fact necessary to make the statements contained therein not misleading.

8.14 The information heretofore delivered to Farmers is true, accurate and complete as of the dates indicated therein.

8.15 Except for matters approved in writing by Farmers, each of the above representations, warranties and covenants will be true and correct on the Effective Date.

8.16 Except as disclosed herein, or in Exhibit C, there are no existing contracts or agreements between First-Citizens, FCC and third parties of a material nature which if consummated before or after the Effective Date would materially change the financial condition of First-Citizens or FCC as of December 31, 1983.

ARTICLE IX
FARMERS' COVENANTS

9.0 Farmers covenants and agrees that from the date hereof to the Effective Date, or the termination of this Agreement, whichever shall first occur, and except for transactions expressly authorized by this Agreement or transactions expressly approved in writing by First-Citizens, Farmers shall:

- a. operate its business in the usual, regular and ordinary course, without material change;
- b. maintain its properties and assets in good repair, order and condition, reasonable wear and use and damage by fire or other casualty excepted;
- c. maintain and keep in full force and effect all the fire and other insurance on property and assets, all of the liability and other casualty insurance, and all bonds on personnel presently carried;
- d. except in the ordinary course of business, not increase any salary or other form of compensation payable or to become payable to any officer or employee, and not pay any bonus to nor make any severance or retirement arrangement with any of its officers or employees;
- e. maintain its books, accounts and records in the usual, regular and ordinary manner on a basis consistent with prior years;
- f. not sell, lease, mortgage, buy or otherwise acquire or dispose of any interest in any property, except in the ordinary course of business or except as agreed to by First-Citizens;
- g. not amend its articles of incorporation or bylaws nor make any distribution or other disposition of capital or surplus or make any change in its capital structure or declare any cash, stock or other dividend or stock split or redeem or otherwise acquire its own capital stock;
- h. not solicit invitations to engage in or engage in preliminary or substantive discussions, negotiations or otherwise with third parties regarding the merger, consolidation and sale of substantially all of the assets or shares of common stock of Farmers; and not become a party to or become bound by any written or oral contract with any labor or trade union or association, nor enter into or expand any bonus, pension, profit-sharing, retirement, stock purchase, hospitalization insurance or other plan

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providing employee benefits or any continuing contract for the future purchase of materials, supplies, equipment or services or single contract for expenditures or commitment for expenditures in excess of \$1,000 per year nor any repurchase agreement relative to any loan.

9.1 Farmers further covenants and agrees that it shall cooperate with First-Citizens fully and expeditiously in obtaining all necessary or appropriate governmental approvals, consents or permits and in preparing any and all registration statements and other filings with the Securities and Exchange Commission, applications to the Commissioner, the Commission, and the FDIC and any other filings or documentation connected with any other regulatory agencies with jurisdiction over or otherwise concerning the merger contemplated hereby, and will furnish such supporting information or exhibits as may be required by such agencies, and will cooperate in securing the approval of the merger contemplated hereby by attending any hearings and furnishings such witnesses as may be necessary, executing any and all documents as may be necessary in the opinion of First-Citizens or its counsel for accomplishment and consummation of said merger, and will do all things necessary or appropriate to obtain approval from such agencies. Farmers will not do, sanction or knowingly permit any person under its control to do anything which might in any way hinder, delay or prevent the expeditious approval of the merger or to commit any act or omission which might be reasonably expected to have such an effect.

ARTICLE X
COVENANTS OF FIRST CITIZENS AND FCC

10.0 First-Citizens and FCC each covenant and agree that from the date hereof to the Effective Date of the merger of Farmers into First-Citizens, except for transactions expressly referenced in this Agreement, including those listed on Exhibit C hereto and incorporated herein by reference, or transactions expressly approved of in writing by Farmers, First-Citizens and FCC each shall:

- a. operate their business in the manner in which they have so operated in the conduct of their business activities.
- b. maintain their properties and assets in good repair, order and condition, reasonable wear and use and damage by fire or other casualty excepted;

- c. maintain and keep in full force and effect all the fire and other insurance on property and assets, all the liability and other casualty insurance, and all bonds on personnel presently carried;
- d. maintain their books, accounts and records in the usual, regular and ordinary manner on a basis consistent with prior years; and,
- e. not amend their articles of incorporation or bylaws nor make any distribution or other disposition of capital or surplus nor make any change in their capital structure or declare any cash, stock or other dividend or stock split nor redeem or otherwise acquire their own capital stock except as otherwise agreed or disclosed herein and particularly in Sections 1.1 and 8.2.

10.1 First-Citizens and FCC each covenant that they will use their best efforts to expeditiously obtain all necessary and appropriate government approvals, consents and waivers to consummate the transactions contemplated by this Agreement and will not knowingly permit, sanction or perform any act or allow any person under their control to do anything which might in any fashion hinder, delay or prevent the expeditious approval of the transactions contemplated herein. The covenants as contained herein are conditioned upon the full and total cooperation of Farmers and its personnel, and First-Citizens and FCC further covenant to advise Farmers on a timely basis of the material events occurring in fulfillment of the covenants contained herein.

ARTICLE XI
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF
FIRST-CITIZENS AND FCC

The obligations of First-Citizens and FCC to consummate this Agreement on the Effective Date are subject to the following express conditions precedent:

11.0 The representations and warranties of Farmers contained in this Agreement were true when made and shall be true at and as of the Effective Date as though such representations and warranties had been made at and as of the Effective Date (except to the extent that such representations and warranties shall be incorrect as of the Effective Date because of events or changes occurring after the date hereof in the usual, regular and ordinary course of business, or which have

been approved by First-Citizens in writing), and Farmers shall have performed all covenants and agreements on its part required to be performed and shall not be in default under any of the provisions of this Agreement at or prior to the Effective Date. A certificate, signed by the President of Farmers, confirming as of the Effective Date all such covenants, agreements, representations and warranties, shall be delivered to First-Citizens and FCC upon the Effective Date.

11.1 No action or proceeding shall be instituted or threatened at any time prior to or at the Effective Date before any court or other governmental body seeking to restrain or prohibit, seeking damages, or seeking other relief in connection with this Agreement.

11.2 The business of Farmers shall not have been adversely affected in any material way, and there shall have been no change in the business and financial condition of Farmers since December 31, 1983 which would have a material and adverse effect on Farmers except for changes resulting from the ordinary course of business, matters beyond Farmers control, and efforts on the part of Farmers to comply with the terms and conditions of this Agreement.

11.3 First-Citizens and FCC shall have received all governmental approvals, consents, permits or other similar matters which in its opinion are necessary or appropriate for the consummation of the transactions contemplated by this Agreement, including but not limited to the approval by the Commissioner, Commission and the FDIC of the merger of Farmers into First-Citizens as contemplated hereby. The legality and sufficiency of all actions, proceedings and documents related to this Agreement or necessary to its consummation shall have been approved by First-Citizens' counsel.

11.4 The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby shall have been approved by the Boards of Directors of Farmers, First-Citizens and FCC.

11.5 Farmers shall have ratified and confirmed this Agreement by approval of the shareholders of Farmers by an affirmative vote of at least two-thirds of the stock, in person or by proxy, at a specially called meeting of the shareholders of Farmers pursuant to notice given in accordance with N.C.G.S. §55-108 and §53-12.

11.6 Shareholders owning shares representing not more than thirty-three percent (33%) of the total outstanding shares

of common stock of Farmers shall have exercised their rights of dissent in accordance with Article V hereof.

11.7 Any waiting period required by any supervisory, regulatory or administrative authority having jurisdiction in the matter, whether state or federal, shall have expired.

11.8 Farmers shall have delivered to First-Citizens and FCC an opinion from counsel acceptable to First-Citizens and FCC, addressed to First-Citizens and FCC, and dated as of the Effective Date to the effect that:

(a) Farmers is a duly and legally organized corporation, authorized by the state and federal regulatory authorities having jurisdiction, to do a banking business at the locations at which it is presently conducting a banking business;

(b) This Agreement has been approved by the requisite majority of Farmers' directors and the affirmative vote of at least two-thirds (2/3) of its issued and outstanding shares and is a valid and binding obligation of Farmers, enforceable in accordance with its terms;

(c) The Articles of Merger executed and delivered to First-Citizens are valid in accordance with their terms and, when approved by the Commissioner of Banks and filed with the Secretary of State, together with a Certificate of Merger issued by the Secretary of State and recorded in the offices of the Register of Deeds of Gates and Pasquotank Counties, North Carolina, effectively vest in First-Citizens the title to all of Farmers' assets and properties of whatever kind;

(d) To the best of counsel's knowledge, no litigation, except as specified in Exhibit B, is pending or threatened against or relating to Farmers which would prohibit the merger of Farmers into First-Citizens and no suits, actions, investigations or proceedings (or facts or circumstances which reasonably could result in such), either administrative or judicial, exist or are threatened against or affecting Farmers, which, if determined adversely, would materially affect its business, properties or financial condition;

(e) To the best of counsel's knowledge, all authorizations, consents, or approvals of all state and federal regulatory authorities necessary in connection with the consummation of the merger have been obtained;

(f) To the best of counsel's knowledge, the consummation of the merger will not violate any provisions of any agreements to which Farmers is a party or by which it is bound;

(g) To the best of counsel's knowledge, the material furnished to First-Citizens or FCC by Farmers or material included in the proxy material of Farmers to solicit proxies from its shareholders in connection with the merger does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(h) Farmers has good, unencumbered and marketable fee simple title to (1) the real property at its banking offices in Sunbury, Gates, Elizabeth City and Morgans Corner, North Carolina, (2) all equipment, fixtures and other personal property located in its banking offices, and (3), after reasonable inquiry, to the best of the knowledge of said counsel, all assets shown on its financial statements; and

(i) Counsel has no knowledge or information that any warranty, covenant, representation or fact set forth in this Agreement or supplied to First-Citizens or FCC is untrue nor exactly as set forth.

In addition, the aforesaid opinion shall include such other matters incident to the merger as First-Citizens may reasonably request.

11.9 FCC as the sole stockholder of First-Citizens shall have approved the Agreement by the requisite vote.

ARTICLE XII
CONDITIONS PRECEDENT TO FARMERS' OBLIGATIONS

The obligation of Farmers to consummate the Agreement on the Effective Date is subject to the following express conditions precedent:

12.0 The representations and warranties of both First-Citizens and FCC contained in this Agreement were true when made and shall be true at and as of the Effective Date as though such representations and warranties had been made at and as of the Effective Date (except to the extent that such representations and warranties shall be incorrect as of the Effective Date because of events or changes occurring after the date hereof in the usual, regular and ordinary course of business), and First-Citizens and FCC each shall have performed

all covenants and agreements on their part required to be performed and shall not be in default under any of the provisions of this Agreement at or prior to the Effective Date.

12.1 No action or proceeding shall be instituted or threatened at any time prior to or at the Effective Date before any court or other governmental body seeking to restrain or prohibit, seeking damages or seeking other relief in connection with this Agreement.

12.2 The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby shall have been approved by the Boards of Directors of Farmers, First-Citizens and FCC.

12.3 This Agreement shall have been ratified and confirmed by approval of the shareholders of Farmers by an affirmative vote of not less than two-thirds (2/3) of the issued and outstanding shares of common stock of Farmers, in person or by proxy, at a specially called meeting of the shareholders of Farmers pursuant to notice given in accordance with N.C.G.S. §55-108.

12.4 The shareholders of Farmers shall have received a favorable opinion from special tax counsel selected by Farmers, or from their independent public accounting firm, or from another independent public accounting firm or special tax counsel acceptable to FCC and First-Citizens, to the effect that: (i) a shareholder of Farmers will realize gain or loss upon the exchange of his stock for cash and/or Notes pursuant to the terms of this Agreement, which gain or loss shall equal the difference between the amount of cash, plus the principal amount of Notes received, and such shareholder's adjusted basis in the Farmers shares surrendered; (ii) except to the extent such gain may be subject to original issue discount under Section 7872 or Section 1273 of the Internal Revenue Code of 1954, as amended, any such gain or loss realized will be capital gain or loss unless such shareholders held the shares primarily for sale to customers in the ordinary course of trade or business; (iii) any capital gain or loss so realized will be long-term capital gain or loss if such shareholder establishes the holding period required by law and otherwise will be short-term gain or loss; (iv) the taxable year for the recognition and reporting of capital loss will be the year of the Effective Date; (v) the taxable year for the recognition and reporting of capital gain will be the year of the Effective Date if such shareholder elects or is deemed to elect all cash; (vi) if such shareholder elects to receive payment, in whole or in part, in the form of Notes, the taxable income of such shareholder which constitutes

capital gain will be eligible to be reported for federal income tax purposes of reporting gain within the meaning of Section 453 of the Internal Revenue Code of 1954, as amended.

12.5 The business of First-Citizens shall not have been adversely affected in any material way, and there shall have been no change in the business and financial condition of First-Citizens since September 30, 1984 which would have a material and adverse effect on First-Citizens, except for changes resulting from the ordinary course of business, matters beyond First-Citizens' control, matters disclosed in this Agreement and efforts on the part of First-Citizens to comply with the terms and conditions of this Agreement.

12.6 Farmers shall have received all governmental approvals, consents, permits or other similar matters which in its opinion are necessary or appropriate for the consummation of the transactions contemplated by this Agreement.

12.7 Shareholders owning shares representing not more than thirty-three percent (33%) of the total outstanding shares of common stock of Farmers shall have exercised their rights of dissent in accordance with Article V hereof.

12.8 Any waiting period required by any supervisory, regulatory or administrative authority having jurisdiction in the matter, whether state or federal, shall have expired.

12.9 FCC as the sole stockholder of First-Citizens shall have approved the Agreement by the requisite vote.

12.10 First-Citizens and FCC shall have delivered to Farmers an opinion from Ward and Smith, P.A., its counsel, addressed to Farmers and dated as of the Effective Date of Merger to the effect that:

(a) FCC is a duly and legally organized corporation, authorized by the state and federal regulatory authorities having jurisdiction, to be the one bank holding company for First-Citizens and does its business at its presently designated principal office at 20 East Martin Street, Raleigh, North Carolina;

(b) FCC, as the sole shareholder of First-Citizens, has approved the Agreement by the requisite vote and this Agreement is a valid and binding obligation of FCC and First-Citizens, enforceable in accordance with its terms and the Notes, when issued as contemplated by this Agreement, will represent valid and binding obligations of First-Citizens in accordance with their terms;

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(c) To the best of counsel's knowledge, no litigation, except as specified in Exhibits B or C is pending or threatened against or relating to FCC and/or First-Citizens which would prohibit the merger of Farmers into First-Citizens and no suits, actions, investigations or proceedings (or facts or circumstances which reasonably could result in such), either administrative or judicial, exist or are threatened against or affecting FCC or First-Citizens, which, if determined adversely, would materially affect the business, properties or financial condition of FCC;

(d) To the best of counsel's knowledge, all authorizations, consents or approvals of all state and federal regulatory authorities necessary in connection with the consummation of the merger have been obtained;

(e) To the best of counsel's knowledge, the consummation of the merger will not violate any provisions of any agreements to which FCC is a party or by which it is bound;

(f) To the best of counsel's knowledge, the material furnished by FCC and First-Citizens to Farmers to solicit proxies from its shareholders in connection with the merger does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and,

(g) Counsel has no knowledge or information that any warranty, covenant, representation or fact set forth in this Agreement or supplied to Farmers is untrue nor exactly as set forth.

In addition, the aforesaid opinion shall include such other matters incident to the merger as Farmers may reasonably request.

ARTICLE XIII
FURTHER ACTS

13.0 Each of the parties hereto agrees to perform, at any time and from time to time, any and all necessary acts and to prepare and execute or cause to be executed any and all instruments in writing which shall be advisable or necessary to implement fully the terms of this Agreement, including but not limited to such conveyances or assignments as may be required.

13.1 From and after the execution of this Agreement, Farmers shall allow First-Citizens and FCC free access to its personnel, files, audits and buildings, including any and all

information relating to taxes, commitments, contracts, real estate, personal property, loans, and financial condition, and Farmers hereafter shall cause its officers to cooperate with the auditors and officers of First-Citizens and FCC in making available all financial information requested, including the right to examine all working papers pertaining to audits made by such auditors. Farmers promptly shall furnish to First-Citizens and FCC from and after the execution of this Agreement and until consummation of merger, all information relating to Farmers which First-Citizens and FCC may reasonably request or require for use by First-Citizens and FCC in connection with (a) the preparation of First-Citizens to commence banking operations in the location now occupied by Farmers, (b) determinations of facts, conditions, or other matters necessary to be made under this Agreement, and (c) any other matters which First-Citizens and FCC in their discretion deem necessary.

13.2 In the event the merger envisioned by this Agreement is not effected, each of the parties hereto will immediately return to the others any and all copies of information supplied by said other parties and any information learned or determined from the other as a result of the negotiations and inquiries relating to the formulation of this Agreement and the carrying out of this Agreement shall be treated as confidential information and shall not be disclosed by said parties to any third party.

ARTICLE XIV
TERMINATION

14.0 At any time prior to the issuance of the Certificate of Approval of the merger by the Commissioner, this Agreement may be terminated by the mutual agreement of the Boards of Directors of Farmers, First-Citizens and FCC. The Board of Directors, or its respective designee, of either First-Citizens, FCC or Farmers may waive any of the conditions or obligations of any other party under the Agreement.

14.1 The Constituent Parties and FCC agree, subject to the terms and conditions hereof, to use their best efforts to cause the merger to become effective on or before September 30, 1985. Should this Agreement not be consummated on or before March 31, 1986, this Agreement shall be terminated and abandoned unless mutual agreement by the Boards of Directors of First-Citizens, FCC and Farmers is obtained for additional time to so consummate.

14.2 This Agreement may also be terminated at any time before the Effective Date upon a material breach of any obligation of a party to this Agreement, unless such breach is waived

by the party entitled to exercise its rights of termination as a result of such breach.

14.3 In the event of the termination and abandonment of this Agreement pursuant to the provisions of this Article, this Agreement shall become void and have no effect, without any liability on the part of either First-Citizens, FCC or Farmers or any of their shareholders, directors or officers in respect thereto.

ARTICLE XV
MISCELLANEOUS

15.0 All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given when received by the person to whom the notice is directed; provided, however, that notice shall be conclusively deemed to have been given at the time of its deposit in the mails of the United States when sent by registered or certified mail, postage prepaid, to the parties at the following addresses or at such other addresses as may be selected upon notice in writing to the other party:

To Farmers:

Mr. T. L. Hutto, President
Farmers Bank of Sunbury
Post Office Box 100
Sunbury, North Carolina 27979

To First-Citizens and FCC:

Mr. George H. Broadrick, President
First-Citizens Bank & Trust Company
Post Office Box 151
Raleigh, North Carolina 27602

With Copy to:

Mr. David L. Ward, Jr.
Ward and Smith, P.A.
Post Office Box 867
New Bern, North Carolina 28560-0867

15.1 This Agreement and the attached exhibits represent the sole understanding between the parties hereto. There are no representations, warranties, understandings or agreements other than those expressly set forth herein, except as modified in writing concurrently herewith or subsequent hereto.

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15.2 Each of the Constituent Parties hereto and FCC shall pay its respective costs and expenses incurred and to be incurred in connection with the execution, consummation and performance of this Agreement. Neither Farmers nor FCC shall pay any expenses of a shareholder directly or indirectly incurred in the proposed merger, except as such shareholder may have provided services to either Constituent Party at such Constituent Party's request in furtherance of this Agreement.

ARTICLE XVI
REMEDIES NOT EXCLUSIVE; ADDITIONAL PROVISIONS

16.0 No remedy conferred by any of the specific provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise. The election of any one or more remedies by either of the parties shall not constitute a waiver of the right to pursue other available remedies.

16.1 This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute the same document.

16.2 In the event any exhibit referred to herein is not attached hereto on the date of execution of this Agreement, each of the parties hereto agrees to furnish such exhibit, duly signed, to the other party within twenty (20) days of such execution.

16.3 This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the parties hereto.

16.4 This Agreement shall be construed pursuant to the laws of the State of North Carolina.

II. As to each of the undersigned corporations, there is only one class of stock outstanding and the number of shares outstanding at the time of such approval was as follows:

<u>Name of Corporation</u>	<u>Number of Shares Outstanding</u>
Farmers Bank of Sunbury	72,600
First-Citizens Bank & Trust Company	90,507

III. As to each of the undersigned corporations, the total number of shares voted for, against and abstain as to such Plan, respectively, was as follows:

<u>Name of Corporation</u>	<u>Total Voted For</u>	<u>Total Voted Against</u>	<u>Total Voted Abstained</u>
Farmers Bank of Sunbury	56,690	4,769	350
First-Citizens Bank & Trust Company	90,507	0	0

IV. This Merger shall become effective at 12:01 A.M. on the 11th day of July, 1985.

IN WITNESS WHEREOF, these Articles are signed by the President and Secretary of each corporation as of the 25th day of March, 1985.

FARMERS BANK OF SUNBURY

By: T. L. Hutto
T. L. Hutto, President

ATTEST:

Mae B. Spivey
Mae B. Spivey, Secretary

FIRST-CITIZENS BANK & TRUST COMPANY

By: George H. Broadrick
George H. Broadrick, President

ATTEST:

Alma W. Jones
Alma W. Jones, Secretary

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STATE OF NORTH CAROLINA
COUNTY OF Yates

I, Janet C. Forchard, a Notary Public, hereby certify that on this 25th day of March, 1985, personally appeared before me T. L. HUTTO and MAE B. SPIVEY, each of whom being by me first duly sworn, declared that he or she signed the foregoing document in the capacity indicated, that he or she was authorized so to sign, and that the statements therein contained are true.

Janet C. Forchard
Notary Public

My Commission expires:
May 19, 1985

STATE OF NORTH CAROLINA
COUNTY OF Wake

I, Nancy Nason, a Notary Public, hereby certify that on this 2nd day of April, 1985, personally appeared before me GEORGE H. BROADRICK and ALMA W. JONES, each of whom being by me first duly sworn, declared that he or she signed the foregoing document in the capacity indicated, that he or she was authorized so to sign, and that the statements therein contained are true.

Nancy Nason
Notary Public

My Commission expires:
1-7-87

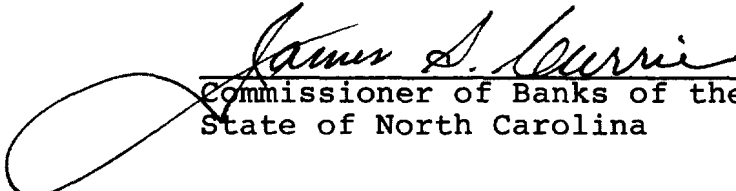
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STATE OF NORTH CAROLINA
OFFICE OF THE COMMISSIONER OF BANKS

First-Citizens Bank & Trust Company, Raleigh, North Carolina, and Farmers Bank of Sunbury, Sunbury, North Carolina, have submitted to me as Commissioner of Banks of the State of North Carolina, proposed Articles of Merger which were approved by the sole shareholder of First-Citizens Bank & Trust Company on January 14, 1985, and were approved by the shareholders of Farmers Bank of Sunbury on March 19, 1985.

I have carefully investigated the proposed Merger, and I hereby certify under my hand and seal that I, as Commissioner of Banks of the State of North Carolina, approve the proposed Merger and each and every part thereof.

This the 5th day of APRIL, 1985.



Commissioner of Banks of the
State of North Carolina

(SEAL)

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