

FIRST CITIZENS BANCSHARES INC /TN/

Form S-4/A

August 21, 2014

As filed with the Securities and Exchange Commission on August 21, 2014

Registration No. 333-197512

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

AMENDMENT No. 1

to

FORM S-4

**REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

FIRST CITIZENS BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Tennessee

6022

62-1180360

(State or other jurisdiction of incorporation or organization)

(Primary Standard Industrial Classification Code Number)

(I.R.S. Employer Identification Number)

One First Citizens Place
Dyersburg, Tennessee 38024
(731) 285-4410
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey D. Agee

President and Chief Executive Officer

First Citizens Bancshares, Inc.
One First Citizens Place
Dyersburg, Tennessee 38024
(731) 285-4410

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and completion of the merger described in the enclosed Proxy Statement/Prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to completion, dated August 21, 2014

PROXY STATEMENT/PROSPECTUS

First Citizens Bancshares, Inc., holding company for

**Southern Heritage
Bancshares, Inc.,
holding company for**

MERGER PROPOSED - YOUR VOTE IS VERY IMPORTANT

The boards of directors of First Citizens Bancshares, Inc. (First Citizens) and Southern Heritage Bancshares, Inc. (SHB) have approved an agreement and plan of merger, as amended (the Merger Agreement), to merge our two companies. If SHB shareholders approve the Merger Agreement and the transactions contemplated thereby, and the merger is completed, SHB will merge with and into First Citizens and SHB shareholders (other than SHB shareholders who properly exercise their right to dissent from the merger and subject to all applicable securities laws) will have the right to receive an aggregate of (i) \$16,085,903.75 in cash, subject to adjustment as set forth in the Merger Agreement, and (ii) 377,658 shares of First Citizens stock, subject to adjustment as set forth in the Merger Agreement and as described below, of the following classes depending on the class of SHB stock held by them: 269,302 shares of First Citizens common stock and 108,356 shares of First Citizens Class A common stock.

If the merger is completed, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election described under *The Merger Agreement - Terms of the Merger* beginning on Page 60 of the attached Proxy Statement/Prospectus, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. Following arms -length negotiations between First Citizens and SHB, the per-share value of First Citizens common stock and First Citizens Class A common stock was agreed to be \$42.60 per share on the effective date of the Merger Agreement. Based on a value of First Citizens common stock and Class A common stock of \$42.60 per share, and assuming no adjustments to the merger consideration, the aggregate per-share merger consideration to SHB shareholders would be \$24.50. In certain circumstances described in more detail below, which circumstances SHB s management does not currently expect, the cash portion of the merger consideration may be adjusted downwards such that, if in the extraordinary circumstance that SHB s net worth on the Closing Date has dropped by as much as \$16,085,903.75, SHB shareholders would receive only First Citizens stock and no cash consideration, in which case the aggregate per-share merger consideration to SHB shareholders would be \$12.25.

As noted above, the aggregate merger consideration payable to SHB shareholders is subject to certain adjustments as set forth in the Merger Agreement in the event that two specific circumstances occur. First, if SHB s accumulated other comprehensive income as of the closing date is a loss of greater than \$3.4 million, then First Citizens may increase the number of shares issued as merger consideration so that up to 55% of the aggregate merger consideration is comprised of First Citizens stock. Second, if SHB s minimum net worth at closing (SHB s total shareholders equity, excluding (i) SHB s Series D Preferred Stock, (ii) accumulated other comprehensive income (loss), (iii) all merger costs if paid or accrued by SHB or any subsidiary of SHB and not reimbursed by SHB prior to the closing date and (iv) any accruals, provisions or charges taken by SHB at the written direction of First Citizens) is less than the required minimum of \$22,863,000 set forth in the Merger Agreement, then the cash portion of the merger consideration will be adjusted downward dollar for dollar by the amount of such shortfall. If the closing were to have occurred on August 15, 2014, the latest practicable date prior to the date of first mailing of this Proxy Statement/Prospectus, SHB s closing net worth would have been \$23,628,000, and there would accordingly have been no downward adjustment to the cash portion of the merger consideration, and SHB s management expects that in the ordinary course of business, which SHB s management believes will be the case, the closing equity at the date of determination will be greater than or equal to \$22,863,000. However, in the event of an extraordinary set of circumstances which SHB s management does not currently expect, SHB s closing net worth could be significantly less than \$22,863,000. In such extraordinary circumstances, and assuming First Citizens did not elect to exercise its right to terminate the Merger Agreement for breach of the representation of the absence of certain changes or events pursuant to the Merger Agreement, the per share merger consideration to SHB shareholders could be significantly lower than \$24.50 per share, and if the closing equity were to drop to as low as \$6,777,096.50, then SHB shareholders would receive no cash consideration and would receive only First Citizens stock for their SHB stock of 0.2876 shares of First Citizens stock for each share of SHB stock. For additional information on the possibility of a downward adjustment to the cash portion of the merger consideration, see *The Merger Agreement - Terms of the Merger* beginning on Page 60 of the attached Proxy Statement/Prospectus.

SHB shareholders who hold SHB common stock shall receive First Citizens common stock and SHB shareholders who hold SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock shall receive First Citizens Class A common stock. In lieu of the issuance of any fractional shares of First Citizens stock, First Citizens will pay to each former SHB shareholder who would otherwise be entitled to receive such fractional share an amount in cash determined by multiplying (i) \$42.60 by (ii) the fraction of a share of First Citizens common stock to which such holder would otherwise be entitled to receive. All holders of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock shall have the right to vote on the merger; however, only holders of SHB common stock have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

First Citizens stock is not currently listed or traded on any securities exchange or quotation system. Neither the common stock nor the preferred stock of SHB is listed or traded on any securities exchange or quotation system. First Citizens may not issue its stock to residents of any state in which the offering of these securities is not registered or eligible for a claim of exemption from registration.

We cannot complete the merger unless we obtain the necessary governmental approvals and unless the shareholders of SHB approve the merger agreement. The board of directors of SHB unanimously recommends that you vote in favor of the merger agreement.

This Proxy Statement/Prospectus provides you with detailed information about the proposed merger between First Citizens and SHB. This document also contains information about First Citizens and SHB. We encourage you to carefully read and consider this Proxy Statement/Prospectus in its entirety.

You should carefully consider the risk factors described beginning on page 14 of this Proxy Statement/Prospectus.

First Citizens is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 and, as such, may elect to comply with certain reduced public company reporting requirements after this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this Proxy Statement/Prospectus or determined if this Proxy Statement/Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This Proxy Statement/Prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this Proxy Statement/Prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction.

Shares of First Citizens stock are not savings or deposit accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this Proxy Statement/Prospectus is [], 2014,
and it is first being mailed to the shareholders of SHB on or about [], 2014.

Southern Heritage Bancshares, Inc.,

The holding company for

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON SEPTEMBER 25, 2014**

TO THE SHAREHOLDERS OF SOUTHERN HERITAGE BANCSHARES, INC.:

This serves as notice to you that an annual meeting of shareholders of Southern Heritage Bancshares, Inc. (SHB) will be held on September 25, 2014, at 5:00 PM Eastern Time, at 3020 Keith Street NW, Cleveland, Tennessee 37312, for the following purposes:

1. *Merger Proposal.* Considering and voting upon the approval of the agreement and plan of merger, as amended (the Merger Agreement), dated as of March 20, 2014, between SHB and First Citizens Bancshares, Inc. (First Citizens), which provides for the merger of SHB with and into First Citizens as more fully described in the accompanying Proxy Statement/Prospectus, and the transactions contemplated by the Merger Agreement;
2. *Election of Directors.* Electing two Class III members of the board of directors to serve three-year terms until the annual meeting of shareholders in 2017 or until their successors have been duly elected and qualified. Note that upon the effective date of the merger, if approved and then consummated, the directors of SHB will no longer serve as directors of SHB, but since the same directors generally are elected as the directors of Southern Heritage Bank, they will continue to serve in that capacity;
3. *Adjournment.* If necessary, adjourning the annual meeting to a later date; and
4. *Other Business.* Transacting such other business as may properly come before the annual meeting or any adjournment of the annual meeting.

All holders of record of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock at the close of business on August 21, 2014 (the record date) are entitled to notice of and to vote on the merger. Each share of SHB stock is entitled to one vote. Approval of the Merger Agreement requires approval by an affirmative vote of at least a majority of the outstanding shares of SHB stock entitled to vote on the proposal, voting as separate classes. Only holders of SHB common stock at the close of business on the record date have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

The board of directors of SHB has unanimously approved the Merger Agreement and the transactions contemplated thereby and recommends that SHB shareholders vote FOR approval of the Merger Agreement and the transactions contemplated thereby.

Under the terms of the Merger Agreement, if the Merger Agreement is approved and the merger is completed, all outstanding shares of SHB stock will be converted into the right to receive an aggregate of (i) \$16,085,903.75 in cash, subject to adjustment as set forth in the Merger Agreement, and (ii) 377,658 shares of First Citizens stock, subject to adjustment as set forth in the Merger Agreement, of the following classes depending on the class of SHB stock held by SHB's shareholders: 269,302 shares of First Citizens common stock and 108,356 shares of First Citizens Class A common stock.

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If the merger is completed, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election described under *The Merger Agreement - Terms of the Merger* beginning on Page 60 of the attached Proxy Statement/Prospectus, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. Following arms-length negotiations between First Citizens and SHB, the per-share value of First Citizens common stock and First Citizens Class A common stock was agreed to be \$42.60 per share on the effective date of the Merger Agreement. Based on a value of First Citizens common stock and Class A common stock of \$42.60 per share, and assuming no adjustments to the merger consideration, the aggregate per-share merger consideration to SHB shareholders would be \$24.50. In certain circumstances described in more detail below, which circumstances SHB's management does not currently expect, the cash portion of the merger consideration may be adjusted downwards such that, if in the extraordinary circumstance that SHB's net worth on the Closing Date has dropped by as much as \$16,085,903.75, SHB shareholders would receive only First Citizens stock and no cash consideration, in which case the aggregate per-share merger consideration to SHB shareholders would be \$12.25.

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SHB shareholders who hold SHB common stock shall receive First Citizens common stock and SHB shareholders who hold SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock shall receive First Citizens Class A common stock. In lieu of the issuance of any fractional shares of First Citizens stock, First Citizens will pay to each former SHB shareholder who would otherwise be entitled to receive such fractional share an amount in cash determined by multiplying (i) \$42.60 by (ii) the fraction of a share of First Citizens common stock to which such holder would otherwise be entitled to receive. All holders of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock shall have the right to vote on the merger; however, only holders of SHB common stock have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

Notice of Right to Dissent. Dissenting SHB shareholders who comply with the procedural requirements of Chapter 23 of the Tennessee Business Corporation Act will be entitled to receive payment of the fair value of their shares. A copy of Chapter 23 of the Tennessee Business Corporation Act containing the procedural requirements to exercise dissenters' rights is attached as Annex B to the accompanying Proxy Statement/Prospectus. In addition, please see the section entitled PROPOSAL 1: THE MERGER Dissenters' Rights in the accompanying Proxy Statement/Prospectus for a discussion of the procedures to be followed in asserting these dissenters' rights.

Please vote through the Internet or mark, sign, date and return the enclosed proxy card promptly, whether or not you plan to attend the annual meeting. All SHB shareholders are invited to attend the annual meeting. To ensure your representation at the annual meeting, please complete and promptly mail the enclosed proxy card in the enclosed postage paid business reply envelope or vote through the Internet by visiting the following website: www.voteproxy.com. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If you do not vote your proxy and do not attend the annual meeting in order to vote in person, the effect will be the same as a vote against the Merger Agreement and the transactions contemplated thereby. You may revoke your proxy at any time before it is voted.

Please review the Proxy Statement/Prospectus accompanying this notice for more complete information regarding the proposed merger and the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

J. Lee Stewart
President and Chief Executive Officer

August [], 2014

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANNUAL MEETING

The following are some questions that you may have regarding the merger and the SHB annual meeting and brief answers to those questions. We urge you to carefully read the remainder of this Proxy Statement/Prospectus because the information in this section does not provide all the information that might be important to you with respect to the merger and the annual meeting.

Q: What am I being asked to vote on?

A: If you are a record holder of SHB common stock, SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock, you are being asked to vote on a proposal to approve a merger in which SHB will merge with and into First Citizens, with First Citizens surviving. Southern Heritage Bank will become a wholly-owned subsidiary of First Citizens. After the merger, SHB shareholders will no longer own shares of SHB stock and will receive the per share merger consideration.

In addition, if you are a holder of SHB common stock, you are also being asked to vote on the following proposals:

- **Election of Directors.** To elect two Class III members of the board of directors to serve three-year terms until the annual meeting of shareholders in 2017 or until their successors have been duly elected and qualified. Note that upon the effective date of the merger, if approved and then consummated, the directors of SHB will no longer serve as directors of SHB, but since the same directors generally are elected as the directors of Southern Heritage Bank, they will continue to serve in that capacity.
- **Adjournment.** If necessary, to adjourn the annual meeting to a later date.
- **Other Business.** To transact such other business as may properly come before the annual meeting or any adjournment of the annual meeting.

Q: Why is SHB merging with First Citizens?

A: SHB is merging with First Citizens because the boards of directors of both companies believe that the merger will provide shareholders of both companies with substantial benefits and will enable the combined company to better serve customers. The combined company would have a presence throughout West and East Tennessee. A detailed discussion of the background of and reasons for the proposed merger is contained under the headings **PROPOSAL 1: THE MERGER - Background of the Merger**, and **PROPOSAL 1: THE MERGER - Reasons for the Merger; Recommendation of the Board of Directors**.

Q: **What do I need to do now?**

A: After you carefully read this Proxy Statement/Prospectus, please vote using the Internet by visiting the following website: www.voteproxy.com or, if you have been provided a proxy card, please vote it promptly by indicating on the enclosed proxy card how you want to vote, and by signing and mailing the proxy card in the enclosed postage-paid business reply envelope as soon as possible so that your shares may be represented at the annual meeting of shareholders. Do not send in your stock certificates now.

Regardless of whether you plan to attend the annual meeting in person, if you are a SHB shareholder, we encourage you to vote your proxy promptly. This will help to ensure that a quorum is present at the annual meeting and will help reduce the costs associated with the solicitation of proxies.

The board of directors of SHB unanimously recommends that SHB shareholders vote **FOR** approval of the Merger Agreement and the transactions contemplated thereby and that holders of SHB common stock vote **FOR** the election of two Class III directors to serve until the 2017 annual meeting of shareholders.

Q: **Why is my vote important?**

A: Pursuant to the Tennessee Business Corporation Act, the Merger Agreement must be approved by a majority of all the votes of each class entitled to be cast by SHB shareholders, with each class of stock voting separately. Therefore, a majority of the outstanding shares of SHB stock held by SHB shareholders, present in person or by proxy at the annual meeting, must vote to approve the Merger Agreement. Accordingly, if you abstain, it will have the same effect as a vote **AGAINST** approval of the Merger Agreement.

Q: Can I change my vote after I have delivered my proxy card?

A: You may change your vote at any time before your proxy is voted at the meeting. You can do this in any of the following four ways:
by sending a written notice to the corporate secretary of SHB in time to be received before the annual meeting stating that you would like to revoke your proxy;
by completing, signing and dating another proxy card and returning it by mail in time to be received before the annual meeting, in which case your later-submitted proxy will be recorded and your earlier proxy revoked;
re-vote by using the Internet and visiting the following website: www.voteproxy.com; or
if you are a SHB shareholder, by attending the annual meeting and voting in person, although attendance by itself will not revoke a previously granted proxy.
If your shares are held in an account at a broker, you should contact your broker to change your vote.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: **NOT WITH RESPECT TO THE PROPOSAL TO APPROVE THE MERGER AGREEMENT OR TO ELECT DIRECTORS.**
You should instruct your broker to vote your shares, following the directions your broker provides. Your broker will not have the discretion to vote your shares on the proposal to approve the Merger Agreement or on the proposal to elect two Class III directors. Failure to instruct your broker how to vote your shares on the proposal to approve the Merger Agreement will have the same effect as voting AGAINST the Merger Agreement.

Q: What is the aggregate amount of consideration to be paid by First Citizens in the merger?

A: Under the terms of the Merger Agreement, if the Merger Agreement is approved and the merger is completed, the outstanding shares of SHB stock will be converted into the right to receive an aggregate of (i) \$16,085,903.75 in cash, subject to adjustment as set forth in the Merger Agreement, and (ii) 377,658 shares of First Citizens stock, subject to adjustment as set forth in the Merger Agreement.

Q: What will I receive in connection with the merger?

A: If the merger is completed, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election described below, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. Shareholders of SHB who hold more than one share of SHB stock may elect to receive consideration in exchange for each share of SHB common stock in the form of: (a) 0.5751 shares of First Citizens stock or (b) \$24.50 in cash, subject to adjustment pursuant to the merger consideration adjustments as provided in the Merger Agreement, including First Citizens' rights to adjust the aggregate merger consideration such that, in the aggregate, no more than 377,658 shares of First Citizens stock will be issued in connection with the merger. Following arms-length negotiations between First Citizens and SHB, the per-share value of First Citizens common stock and First Citizens Class A common stock was agreed to be \$42.60 per share on the effective date of the Merger Agreement. Based on a value of First Citizens common stock and Class A common stock of \$42.60 per share, and assuming no adjustments to the merger consideration, the aggregate per-share merger consideration to SHB shareholders would be \$24.50. In certain circumstances described in more detail below, which circumstances SHB's management does not currently expect, the cash portion of the merger consideration may be adjusted downwards such that, if in the extraordinary circumstance that SHB's net worth on the Closing Date has dropped by as much as \$16,085,903.75, SHB shareholders would receive only First Citizens stock and no cash consideration, in which case the aggregate per-share merger consideration to SHB shareholders would be \$12.25.

As noted above, the aggregate merger consideration payable to SHB shareholders is subject to certain adjustments as set forth in the Merger Agreement in the event that two specific circumstances occur. First, if SHB's accumulated other comprehensive income as of the closing date is a loss of greater than \$3.4 million, then First Citizens may increase the number of shares issued as merger consideration so that up to 55% of the aggregate merger consideration is comprised of First Citizens stock. Second, if SHB's minimum net worth at closing (SHB's total shareholders' equity, excluding (i) SHB's Series D Preferred Stock, (ii) accumulated other comprehensive income (loss), (iii) all merger costs if paid or accrued by SHB or any subsidiary of SHB and not reimbursed by SHB prior to the closing date and (iv) any accruals, provisions or charges taken by SHB at the written direction of First Citizens) is less than the required minimum of \$22,863,000 set forth in the Merger Agreement, then the cash portion of the merger consideration will be adjusted downward dollar for dollar by the amount of such shortfall. If the closing were to have occurred on August 15, 2014, the latest practicable date prior to the date of first mailing of this Proxy Statement/Prospectus, SHB's closing net worth would have been \$23,628,000, and there would accordingly have been no downward adjustment to the cash portion of the merger consideration, and SHB's management expects that in the ordinary course of business, which SHB's management believes will be the case, the closing equity at the date of determination will be greater than or equal to \$22,863,000. However, in the event of an extraordinary set of circumstances which SHB's management does not currently expect, SHB's closing net worth could be significantly less than \$22,863,000. In such extraordinary circumstances, and assuming First Citizens did not elect to exercise its right to terminate the Merger Agreement for breach of the representation of the absence of certain changes or events pursuant to the Merger Agreement, the per share merger consideration to SHB shareholders could be significantly lower than \$24.50 per share, and if the closing equity were to drop to as low as \$6,777,096.50, then SHB shareholders would receive no cash consideration and would receive only First Citizens stock for their SHB stock of 0.2876 shares of First Citizens

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stock for each share of SHB stock. For additional information on the possibility of a downward adjustment to the cash portion of the merger consideration, see *The Merger Agreement - Terms of the Merger* beginning on Page 60 of the attached Proxy Statement/Prospectus.

SHB shareholders who hold SHB common stock shall receive First Citizens common stock and SHB shareholders who hold SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock shall receive First Citizens Class A common stock. In lieu of the issuance of any fractional shares of First Citizens stock, First Citizens will pay to each former SHB shareholder who would otherwise be entitled to receive such fractional share an amount in cash determined by multiplying (i) \$42.60 by (ii) the fraction of a share of First Citizens common stock to which such holder would otherwise be entitled to receive.

Q: Who will be on the board of directors of First Citizens after the merger?

A: Following the merger, the board of directors of First Citizens will consist of 19 members. Eighteen of these directors will be the current members of the board of directors of First Citizens. For more information on these individuals, see INFORMATION ABOUT FIRST CITIZENS - Management of First Citizens. J. Lee Stewart, the current president and chief executive officer of SHB, will be joining the First Citizens board of directors as the 19th member. He will also be joining the First Citizens National Bank board of directors. If, prior to the closing date, Mr. Stewart becomes unavailable for any reason to serve as a member of the board of directors of First Citizens or First Citizens National Bank following the merger, the boards of directors of First Citizens and First Citizens National Bank will continue with their current members. See THE MERGER AGREEMENT - Management and Operations Following the Merger for biographical information with respect to Mr. Stewart.

Q: What are the material U.S. federal income tax consequences of the merger to the shareholders?

A: The merger has been structured and is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). As a result of the merger's qualification as a reorganization, it is anticipated that SHB shareholders will not recognize gain or loss for U.S. federal income tax purposes on the exchange of shares of SHB stock for shares of First Citizens stock, except with respect to cash received in connection with the merger and cash delivered in lieu of fractional shares of First Citizens stock and except for SHB shareholders who exercise their dissenters' rights with respect to the merger.