

01-1376-CD
PENN LAUREL FINANCIAL CORP. etal -vs- CNB FINANCIAL CORPORATION
etal

PENN LAUREL FINANCIAL CORP.,
and CSB BANK, 434 State Street,
Curwensville, Pennsylvania 16833,
Plaintiffs

v.

CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK,
1 South Second Street, Clearfield,
Pennsylvania 16830,
Defendants

: IN THE COURT OF COMMON PLEAS
: CLEARFIELD COUNTY, PENNSYLVANIA
:
:
:
:

: NO. 01-1376-03
:
:
:
:

: CIVIL ACTION - LAW
:
:
:
:

PRAECIPE FOR WRIT OF SUMMONS

TO: William Shaw, Prothonotary

Please issue a Writ of Summons for a Civil Action at Law against the above-referenced
Defendants.

SHUMAKER WILLIAMS, P.C.

Dated: 8/22/01

By Laurence W. Dague
Laurence W. Dague, I.D. #19715
Angela L. Thomas, I.D. #67810
Melissa A. Swauger, I.D. #82382
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121

Attorneys for Penn Laurel Financial Corp.
and CSB Bank

:134522

FILED

AUG 23 2001

William A. Shaw
Prothonotary

FILED
Atty. Dague pd.
8000
2 cc ~~Atty. Dague~~
Shg

William A. Shaw
Prothonotary
2 writs to Shg

COPY

IN THE COURT OF COMMON PLEAS OF
CLEARFIELD COUNTY PENNSYLVANIA
CIVIL ACTION

SUMMONS

**Penn Laurel Financial Corp. and
CSB Bank, 434 State Street,
Curwensville, Pennsylvania 16833**

Vs.

NO.: 2001-01376-CD

**CNB Financial Corporation and
County National Bank,
1 South Second Street, Clearfield,
Pennsylvania 16830**

TO: CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK

To the above named Defendant(s) you are hereby notified that the above named Plaintiff(s) has/have commenced a Civil Action against you.

Date: 08/23/2001

William A. Shaw
Prothonotary

Issuing Attorney:

Laurance W. Dague
Post Office Box 88
Harrisburg, PA 17108

IN THE COURT OF COMMON PLEAS OF CLEARFIELD COUNTY, PENNSYLVANIA
CIVIL DIVISION

PENN LAUREL FINANCIAL CORP. and :
CSB BANK, 434 STATE STREET, :
CURWENSVILLE, PENNSYLVANIA :
16833 :

Plaintiffs :

vs. :

CNB FINANCIAL CORPORATION and :
COUNTY NATIONAL BANK :
ONE SOUTH SECOND STREET :
CLEARFIELD, PENNSYLVANIA :
16830 :

Defendants :

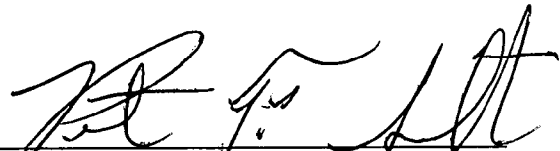
No. 2001-01376-CD

CERTIFICATE OF SERVICE

I, Peter F. Smith, attorney for Defendants, CNB Financial Corporation and County National Bank in the above captioned matter, hereby certify that I sent by U.S. First Class Mail, a true and correct copy of **ENTRY OF APPEARANCE** and Praecipe for Rule To File Complaint on the following:

Laurence M. Dague, Esquire
SHUMAKER WILLIAMS, P.C.
P.O. Box 88
Harrisburg, PA 17108

Date: August 28, 2001



Peter F. Smith, Esquire
Attorney for Defendants

FILED

AUG 28 2001

WILLIAM A. SMITH

In The Court of Common Pleas of Clearfield County, Pennsylvania

Sheriff Docket # 11421

PENN LAUREL FINANCIAL CORP. and CSB BANK

01-1376-CD

VS.

CNB FINANCIAL CORPORATION and COUNTY NATIONAL BANK

SUMMONS

SHERIFF RETURNS

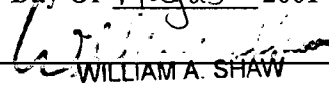
NOW AUGUST 27, 2001 AT 9:10 AM DST SERVED THE WITHIN SUMMONS ON
CNB FINANCIAL CORPORATION, DEFENDANT AT SHERIFF'S OFFICE, CLEARFIELD,
CLEARFIELD COUNTY, PENNSYLVANIA BY HANDING TO PETER F. SMITH, ATTORNEY
A TRUE AND ATTESTED COPY OF THE ORIGINAL SUMMONS AND MADE KNOWN
TO HIM THE CONTENTS THEREOF.
SERVED BY: SHULTZ

NOW AUGUST 27, 2001 AT 9:10 AM DST SERVED THE WITHIN SUMMONS ON
COUNTY NATIONAL BANK, DEFENDANT AT SHERIFF'S OFFICE, CLEARFIELD,
CLEARFIELD COUNTY, PENNSYLVANIA BY HANDING TO PETER F. SMITH,
ATTORNEY, A TRUE AND ATTESTED COPY OF THE ORIGINAL SUMMONS AND
MADE KNOWN TO HIM THE CONTENTS THEREOF.
SERVED BY: SHULTZ


Return Costs

Cost	Description
25.34	SHFF. HAWKINS PAID BY: ATTY.
20.00	SURCHARGE PAID BY: ATTY.

Sworn to Before Me This

28th Day Of August 2001

WILLIAM A. SHAW
Prothonotary
My Commission Expires
1st Monday in Jan. 2002
Clearfield Co. Clearfield, PA.

So Answers,


Chester A. Hawkins
Sheriff

IN THE COURT OF COMMON PLEAS OF CLEARFIELD COUNTY, PENNSYLVANIA
CIVIL DIVISION

PENN LAUREL FINANCIAL CORP. and :
CSB BANK, 434 STATE STREET, :
CURWENSVILLE, PENNSYLVANIA :
16833 :

Plaintiffs :

vs. :

CNB FINANCIAL CORPORATION and :
COUNTY NATIONAL BANK :
ONE SOUTH SECOND STREET :
CLEARFIELD, PENNSYLVANIA :
16830 :

Defendants :

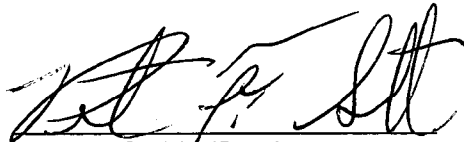
No. 2001-01376-CD

ENTRY OF APPEARANCE

To: Prothonotary William A. Shaw
Dear Sir or Madame:

Please enter my appearance as attorney for both of the Defendants in the above-captioned matter.

Respectfully submitted



Peter F. Smith, Esquire

Dated: August 28, 2001

cc: Laurance W. Dague, Esquire
Attorney for Plaintiffs

FILED

AUG 28 2001

William A. Shaw
Prothonotary

FILED

no
cc

01359881
AUG 28 2001

William A. Shaw
Prothonotary

[Handwritten signature]

IN THE COURT OF COMMON PLEAS OF CLEARFIELD COUNTY, PENNSYLVANIA
CIVIL DIVISION

PENN LAUREL FINANCIAL CORP. and :
CSB BANK, 434 STATE STREET, :
CURWENSVILLE, PENNSYLVANIA :
16833 :

Plaintiffs :

vs. :

CNB FINANCIAL CORPORATION and :
COUNTY NATIONAL BANK :
ONE SOUTH SECOND STREET :
CLEARFIELD, PENNSYLVANIA :
16830 :

Defendants :

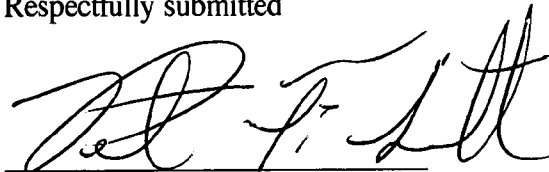
No. 2001-01376-CD

PRAECIPE FOR RULE TO FILE COMPLAINT

To: Prothonotary William A. Shaw
Dear Sir:

Please enter a rule upon Plaintiff to file a complaint within twenty (20) days of service thereof or suffer the Entry of a Judgment of *non pros*.

Respectfully submitted



Peter F. Smith, Esquire
Attorney for Defendants

Dated: August 28, 2001

FILED

AUG 23 2001

William A. Shaw
Prothonotary

FILED
013:59 AM

3 cc to ALL

Without
Preference

by Rules to Atty

CC
File

COPY

IN THE COURT OF COMMON PLEAS OF CLEARFIELD COUNTY, PENNSYLVANIA
CIVIL DIVISION

PENN LAUREL FINANCIAL CORP. and :
CSB BANK, 434 STATE STREET, :
CURWENSVILLE, PENNSYLVANIA :
16833 :

Plaintiffs :

vs. :

CNB FINANCIAL CORPORATION and :
COUNTY NATIONAL BANK :
ONE SOUTH SECOND STREET :
CLEARFIELD, PENNSYLVANIA :
16830 :

Defendants :

No. 2001-01376-CD

RULE

AND NOW, this 29th day of August upon Praecept of the Defendants, a Rule is hereby
entered upon the Plaintiff to file complaint within 20 days after service of this rule or suffer the
Entry of Judgment of non pros.

Prothonotary

By William A. [Signature], Deputy

PENN LAUREL FINANCIAL CORP.,
and CSB BANK, 434 State Street,
Curwensville, Pennsylvania 16833,
Plaintiffs

v.

CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK
1 South Second Street, Clearfield, PA 16830
Defendants

: IN THE COURT OF COMMON PLEAS OF
: CLEARFIELD COUNTY, PENNSYLVANIA

: Civil Action No. 2001-1376-CO

: CIVIL ACTION - LAW

NOTICE

YOU HAVE BEEN SUED IN COURT. If you wish to defend against the claims set forth in the following pages, you must take action within twenty (20) days after this Complaint and Notice are served, by entering a written appearance personally or by attorney and filing in writing with the Court your defenses or objections to the claims set forth against you. You are warned that if you fail to do so the case may proceed without you and a judgment may be entered against you by the Court without further notice for any money claimed in the Complaint or for any other claim or relief requested by the Plaintiff. You may lose money or property or other rights important to you.

YOU SHOULD TAKE THIS PAPER TO YOUR LAWYER AT ONCE. IF YOU DO NOT HAVE A LAWYER OR CANNOT AFFORD ONE, GO TO OR TELEPHONE THE OFFICE SET FORTH BELOW TO FIND OUT WHERE YOU CAN GET LEGAL HELP.

David S. Meholick, Court Administrator
Clearfield County Courthouse
Second and Market Streets
Clearfield, PA 16830
(814) 765-2641, Ext. 50-51

FILED

SEP 18 2001

0/10:30/02
William A. Shaw
Prothonotary

1 CERT TO ATT



NOTICIA

USTED HA SIDO DEMANDADO/A EN CORTE. Si usted desea defenderse de las demandas que se presentan mas adelante en las siguientes paginas, debe tomar accion dentro de los proximos veinte (20) dias despues de la notificacion de esta Demanda y Aviso radicando personalmente o por medio de un abogado una comparecencia escrita y radicando en la Corte por escrito sus defensas de, y objeciones a, las demandas presentadas aqui en contra suya. Se le advierte de que si usted falla de tomar accion como se describe anteriormente, el caso puede proceder sin usted y un fallo por cualquier suma de dinero reclamada en la demanda o cualquier otra reclamacion o remedio solicitado por el demandante puede ser dictado en contra suya por la Corte sin mas aviso adicional. Usted puede perder dinero o propiedad u otros derechos importantes para usted.

USTED DEBE LLEVAR ESTE DOCUMENTO A SU ABOGADO INMEDIATAMENTE. SI USTED NO TIENE UN ABOGADO O NO PUEDE PAGARLE A UNO, LLAME O VAYA A LA SIGUIENTE OFICINA PARA AVERIGUAR DONDE PUEDE ENCONTRAR ASISTENCIA LEGAL.

David S. Meholick, Court Administrator
Clearfield County Courthouse
Second and Market Streets
Clearfield, PA 16830
(814) 765-2641, Ext. 50-51

PENN LAUREL FINANCIAL CORP.,
and CSB BANK, 434 State Street,
Curwensville, Pennsylvania 16833,
Plaintiffs

v.

CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK
1 South Second Street, Clearfield, PA 16830
Defendants

: IN THE COURT OF COMMON PLEAS OF
: CLEARFIELD COUNTY, PENNSYLVANIA

: Civil Action No. 2001-01376-CD

: CIVIL ACTION - LAW

COMPLAINT

1. Plaintiff Penn Laurel Financial Corp. ("Penn Laurel") is a Pennsylvania bank holding company which maintains its principal offices at 434 State Street, Curwensville, Clearfield County, Pennsylvania.

2. Plaintiff CSB Bank ("CSB") is a Pennsylvania chartered bank which is a subsidiary of Penn Laurel and which maintains its principal offices at 434 State Street, Curwensville, Clearfield County, Pennsylvania.

3. Defendant CNB Financial Corporation ("CNBC") is a Pennsylvania bank holding company which maintains its principal offices at 1 South Second Street, Clearfield, Clearfield County, Pennsylvania.

4. Defendant County National Bank ("CNB") is a federally chartered bank which is a subsidiary of CNBC and which maintains its principal offices at 1 South Second Street, Clearfield, Clearfield County, Pennsylvania.

5. Plaintiffs and Clearfield Bank & Trust Company ("CBT") entered into a written agreement entitled "Agreement and Plan of Reorganization" (the "Reorganization Agreement")

dated December 31, 1998. A copy of said Reorganization Agreement is attached hereto as Exhibit "A."

6. Plaintiffs and CB&T also entered into an "Agreement and Plan of Merger" (the "Merger Agreement") and other agreements which are attached to the Reorganization Agreement.

7. Under the Reorganization and Merger Agreements, CSB was to merge into CB&T and to cease to exist, and the shares of CB&T would then be exchanged for shares of Penn Laurel, thereby making the resulting, newly formed bank (the "merged bank") a wholly owned subsidiary of Penn Laurel.

8. The merger provided for under those agreements (the "proposed merger") was of a type which is commonly referred to as a "merger of equals."

9. As is customary in such mergers, each of the members of the Boards of Directors of Plaintiffs and CB&T entered into separate agreements concerning the merger which were substantively identical ("Director's Agreement"). A copy of one such Director's Agreement, that of Sherwood C. Moody, is attached hereto as Exhibit "B."

10. On December 31, 1998, Plaintiffs and CB&T jointly issued a press release publicly announcing their agreement to merge.

11. Defendants CNB Financial and CNB and others (including, but not limited to, Omega Financial ["Omega"], Tucker, Arensberg, P.C. ["Tucker"], Sherwood C. Moody, Timothy A. Anonick, and Anonick Financial Corporation ["AFC"]) conspired, through express or tacit agreement and/or concerted action, to defeat the proposed merger through unlawful and improper means, and the conspiracy commenced prior to the public announcement of the proposed merger and has continued until this time.

12. Article VI of the Reorganization Agreement is entitled "Covenants of Clearfield."

13. Section 6.8 of the Reorganization Agreement provides, in pertinent part:

Clearfield shall not, nor shall it permit any officer, director, employee, agent, consultant, counsel or other representative, to directly or indirectly solicit, encourage, initiate or engage in discussions or negotiations with, or respond to requests for information, inquiries or other communications from, any person ... concerning the fact of, or the terms and conditions of, this Agreement, or concerning any transaction with Clearfield, or any assets or business thereof ...; and Clearfield shall notify Penn Laurel immediately if any discussions or negotiations are sought to be initiated with Clearfield by any person other than Penn Laurel or if any requests for information, inquiries, proposals or communications are received from any other person.

14. Section 6.1 of the Reorganization Agreement provides, in pertinent part:

Except as otherwise consented to by Penn Laurel and CSB in writing, Clearfield shall:

... (k) not take or permit to be taken any action that would constitute a breach of any representation, warranty or covenant set forth in this Agreement; ...

(s) not solicit or encourage inquiries or proposals with respect to, furnish any information relating to, or participate in any negotiations or discussions concerning any acquisition or purchase of all or a substantial equity interest or portion of the assets in or of Clearfield or any business combination with Clearfield, other than as contemplated by this Agreement, or authorize or permit any officer, director, agent or affiliate of it to do any of the above; or fail to notify Penn Laurel immediately if any inquiries or proposals are received by, any information is requested from, or any negotiations are sought to be initiated with Clearfield....

15. Section 6.2 of the Reorganization Agreement provides, in pertinent part:

Clearfield shall cooperate with Penn Laurel and CSB and shall use its best efforts to do or cause to be done all things necessary or appropriate on its part in order to fulfill the conditions precedent set forth in Article VIII of this Agreement and to consummate this Agreement. In particular, without limiting the generality of the foregoing sentence, Clearfield shall:

... (b) ... take, in good faith, all actions that are necessary or appropriate on its part in order to secure the approval and adoption of

this Agreement and the Bank Merger Agreement by its shareholders

....

16. Section 6.13 of the Reorganization Agreement provides, in pertinent part:

Clearfield shall not take (and shall use its best efforts not to permit any of its directors, officers, employees, shareholders, agents, consultants or other representatives to take) any action that would preclude treating the business combination as a "pooling of interests" for financial reporting purposes.

17. Paragraph numbered 2 of the Director's Agreement provides, in relevant part, as follows:

[Director] [r]epresents, warrants and agrees that until the earlier of (i) consummation of the transactions contemplated by the [Reorganization] Agreement or (ii) the termination of the [Reorganization] Agreement in accordance with its terms, [Director] will not, directly or indirectly:

(a) ... solicit, initiate or encourage inquiries or proposals from, or participate in any discussions or negotiations with, or provide any information to, any individual, corporation, partnership, or other person, entity or group (other than Penn Laurel or CSB Bank or either of their officers, employees, representatives and agents) concerning, any sale of assets, sale of shares of capital stock, merger, consolidation, share exchange, plan of liquidation, reclassification, or similar transactions involving Clearfield, that would have the effect of permitting any person to acquire control over Clearfield, or any substantial portion of Clearfield's assets. As used herein, the term "control" means (i) the ability to direct the voting of 20% or more of the outstanding voting securities of a person having ordinary voting power in the election of directors or in the election of any other body having similar functions or (ii) the ability to direct the management and policies of a person, whether through ownership of securities, through any contract, arrangement or understanding or otherwise

(d) Take any actions with the intent to prevent or hinder the actions contemplated by the [Reorganization] Agreement from being consummated.

18. Those contracts continued in effect until on or about October 26, 1999, when Plaintiffs notified CB&T that they deemed CB&T to have materially breached the Reorganization Agreement.

19. Prior to the public announcement of the merger on December 31, 1998, CNB Financial and CNB knew that Plaintiffs and CB&T were entering into such a merger agreement.

20. Based upon their experience and/or education, CNB Financial and CNB knew from the time they first learned of the proposed merger that agreements containing provisions similar to those of the Reorganization and Director's Agreements quoted above would be and/or had been entered into by Plaintiffs and CB&T.

21. By at least as early as mid-April of 1999, CNB Financial and CNB had access to and actual knowledge of the provisions of the Reorganization Agreement, which was part of a filing made by Plaintiffs with the United States Securities and Exchange Commission.

22. CNB Financial and CNB and other conspirators intentionally and improperly interfered with the contractual agreements between Plaintiffs and CB&T and its Directors by, inter alia, directly and indirectly communicating with Officers, Directors, employees, agents, and/or attorneys of CB&T concerning the merger and by actively encouraging and abetting communications between Officers and Directors of CB&T which violated provisions quoted above of both the Reorganization Agreement and the Director's Agreement.

23. CNB Financial and CNB and other conspirators intentionally and improperly interfered with the contractual agreements between Plaintiffs and CB&T and its Directors by, inter alia, actively encouraging and abetting Officers and Directors of CB&T to otherwise violate their contractual obligations under both the Reorganization Agreement and the Director's Agreement.

24. From the time discussions first occurred between Plaintiffs and CB&T about a possible merger between them until on or about June 25, 1999, Sherwood C. Moody served as President, Chief Executive Officer ("CEO"), and a member of the Board of Directors of CB&T.

25. As President, CEO, and a Director, Mr. Moody had a fiduciary duty to CB&T and its shareholders.

26. Mr. Moody repeatedly breached his duty to CB&T by failing to provide to other members of CB&T's Board important information which he had received relating to the proposed merger and by providing them with misleading and/or false information relating to the proposed merger.

27. Mr. Moody repeatedly breached his duty to CB&T's shareholders by refusing to respond to proper and routine inquiries made by them concerning the proposed merger and by instructing other Officers and Directors to refuse to respond to such inquiries.

28. From the time discussions first occurred between Plaintiffs and CB&T about a possible merger between them and continuing until the present, Tucker has served as the attorneys for CB&T, and the scope of that representation has included, inter alia, (1) all matters relating to the negotiation and preparation of all agreements, documents, and filings relating to the proposed merger, and (2) the provision of legal advice and assistance pertaining to the effectuation of the proposed merger.

29. As the attorneys for CB&T, Tucker had a fiduciary duty to CB&T at all times relevant to this matter.

30. Tucker repeatedly breached its duty to CB&T by failing to provide to the Directors and Officers of CB&T important information which Tucker had received relating to the proposed merger and by providing them with misleading and/or false information relating to the proposed merger.

31. Tucker repeatedly breached its duty to CB&T by communicating with other Defendants (not including CB&T) concerning the proposed merger and with other individuals known

to be actively working against the proposed merger about the proposed merger, which communications constituted breaches of the Reorganization Agreement.

32. Tucker breached its duty to CB&T by advising Officers and Directors to refuse to respond to proper and routine inquiries from CB&T's shareholders.

33. CNB Financial and CNB and other conspirators knew about, encouraged, and abetted breaches of fiduciary duty by Mr. Moody and Tucker.

34. On May 10, 1999, Omega sent a letter to CB&T which constituted an "expression of interest" in a possible merger between Omega and CB&T and which indicated, inter alia, that Omega might be prepared to pay sixty-five dollars (\$65) per share for the shares of CB&T.

35. Based upon information and belief, Plaintiffs aver that CNB Financial and CNB and other conspirators knew that Omega would be making an "expression of interest" prior to the drafting and issuance of that May 10 letter and encouraged Omega to make such an offer.

36. Based upon information and belief, Plaintiffs aver that CNB Financial and CNB and other conspirators knew of the substance of Omega's May 10 "expression of interest" within days of its having been sent.

37. Omega's May 10 letter was intentionally designed not to constitute an offer.

38. Omega's May 10 letter was materially misleading.

39. Since the "expression of interest" set forth in Omega's May 10 letter related to a merger that would have constituted an acquisition of CB&T rather than a "merger of equals," the amount referred to, i.e., sixty-five dollars (\$65) per share, was inadequate.

40. CNB Financial and CNB and other conspirators knew that amount was inadequate.

41. In fact, Mr. Moody was specifically informed on May 26, 1999, by the investment banking firm which had been retained by and was representing CB&T in relation to the proposed merger, that at least ten to twelve other banks which were known to that firm would be willing to pay more than sixty-five dollars (\$65) per share, but Mr. Moody never conveyed that information to CB&T's Directors or shareholders.

42. CNB Financial and CNB and other conspirators knew and intended that Omega would not offer and had not offered a serious alternative to the proposed merger but, rather, was only serving as a "black knight" to destroy the proposed merger.

43. Any disclosure by Plaintiffs and CB&T of the "expression of interest" by Omega to shareholders of CB&T would have been materially misleading and, therefore, a violation of federal securities laws.

44. Nevertheless, CNB Financial and CNB and other conspirators conspired to encourage, pressure, and/or force Plaintiffs to disclose Omega's "expression of interest" by including details concerning it in proxy solicitation materials to be forwarded to CB&T's shareholders in relation to the proposed merger.

45. When it became clear in July of 1999, that the efforts to encourage, pressure, and/or force Plaintiffs to disclose Omega's "expression of interest" had proved unsuccessful, CNB Financial and CNB and other conspirators conspired to have Omega, acting through Mr. Anonick and AFC, approach CB&T's shareholders directly.

46. On August 2, 1999, Mr. Anonick had a public meeting with a number of CB&T's shareholders at which he distributed a written offer from Omega for the purchase of CB&T's shares, once again for sixty-five dollars per share, from any shareholders who agreed to oppose the proposed

merger and to exercise dissenting shareholders' rights and requested that the shareholders present distribute copies of that written offer to other shareholders who were not present at the meeting.

47. In an action which was related to this action and which was denominated "Clearfield Bank & Trust, et al. v. Omega Financial Corporation" (Civil Action No. 99-180J) (the "related federal action"), Omega's actions in distributing that written offer on August 2 were determined to have constituted violations of Section 14(e) of the Williams Act, 15 U.S.C. §78n(e).

48. In addition, Omega's actions in sending its letter of May 10, in holding the meeting of August 2, and in making offers directly to CB&T's shareholders for the purchase of their shares also constituted both violations of Section 112 of the Pennsylvania Banking Code and improper interferences with the contractual relations between Plaintiffs and CB&T.

49. CNB Financial and CNB and other conspirators participated in, knew of, and/or encouraged and abetted Omega's aforesaid violations of the Williams Act and the Pennsylvania Banking Code and improper interferences with contract as part of the conspiracy.

50. At a meeting on September 27, 1999, CB&T's shareholders failed to approve the proposed merger.

51. On April 6, 2000, Plaintiffs initiated an action against Defendants CB&T, Anonick, and AFC in this Honorable Court (Civil Action No. 00-414-CD) (the "state court action"), an action in which Mr. Moody subsequently also became a defendant.

52. On May 18, 2001, Plaintiffs duly and properly served upon CNB a Subpoena to Produce Documents or Things for Discovery Pursuant to Pa.R.Civ.P. 4009.22, which sought, inter alia, CNB's telephone records and/or invoices that listed or reflected telephone calls after January 1, 1998.

53. As a resolution of a discovery dispute, Plaintiffs and CNB agreed that CNB would only have to produce such telephone records for the period from July 1, 1998, through December 31, 1999, in order to comply with the outstanding Subpoena.

54. After repeated assurances from CNB that those telephone records had been compiled and would be produced for inspection, including a written assurance from CNB's attorney on July 13, 2001, an agreement was reached that documents would be inspected at CNB's offices on July 16 through 17, 2001, and an attorney and a paralegal representing Plaintiffs traveled to Clearfield for that agreed upon inspection.

55. On July 16, 2001, and at all times subsequent thereto, CNB has maintained that it can no longer locate most of the telephone records in question, specifically the telephone records covering calls from the period of December 1, 1998 through June 30, 1999, probably the most critical period of activity during the life of the conspiracy of CNB Financial and CNB and other conspirators, even though CNB continued to represent that all those records had been present in one of the offices within CNB's headquarters only days before.

56. CNB Financial and CNB have neglected and failed to offer any explanation of how such critical records, which were under Subpoena at the time, disappeared.

57. The destruction or concealment of those subpoenaed records constituted an act in furtherance of the conspiracy.

58. Plaintiffs expended substantial sums in an attempt to fulfill its obligations under the Reorganization Agreement, including attorneys' fees and expenses, consultant fees, printing fees, etc., all of which constitute damages.

59. Plaintiffs incurred substantial attorneys' fees and expenses in the related federal action, their participation in which was pursuant to and in fulfillment of its obligations under the Reorganization Agreement between the parties.

60. In addition to the attorneys' fees and expenses incurred by Plaintiffs in the related federal court action, Plaintiffs suffered increased costs in attempting to fulfill their obligations under the Reorganization Agreement which they would not have had to incur in performing their obligations under that Reorganization Agreement if CNB Financial and CNB and other conspirators had not acted improperly and unlawfully.

61. The total of all expenses actually incurred to date by Plaintiffs in attempting to fulfill their obligations under the Reorganization Agreement (including, but not limited to, in participating in the federal court litigation) is \$444,797.40.

62. In addition to suffering of the foregoing expenses, Plaintiffs suffered the loss of services of key officers and employees of Plaintiffs because of the time they expended in attempting to fulfill Plaintiffs' obligations under the Reorganization Agreement, in attempting to assure that the proposed merger was consummated, and in pursuing the federal court litigation.

63. Penn Laurel and its shareholders have also been damaged through the loss of the benefits that would have accrued to them if the merger had been consummated.

Count I - - Civil Conspiracy

64. Paragraphs 1 through 63 above are incorporated herein by reference.

65. The aforesaid actions of CNB Financial and CNB and other conspirators constituted an unlawful conspiracy among themselves and with others, including but not limited to directors of

CB&T, to commit the aforesaid unlawful acts either through express or tacit agreements or through acting in concert.

66. All of the damages alleged above were caused by the conspiracy of CNB Financial and CNB and other conspirators.

WHEREFORE, Plaintiffs Penn Laurel Financial Corp. and CSB Bank respectfully request that this Honorable Court award damages against Defendants CNB Financial Corporation and County National Bank in an amount in excess of \$25,000, plus interest and costs and such other relief as the Court may deem necessary and/or appropriate.

Count III - - Intentional Interference With Contractual Relations

67. Paragraphs 1 through 66 above are incorporated herein by reference.

68. The aforesaid actions of CNB Financial and CNB and other conspirators were intended to interfere with the contractual relations between Plaintiffs and CB&T by improperly inducing CB&T and its officers and directors to breach their contractual obligations to Plaintiffs.

69. The improper interference with the contractual agreements between Plaintiffs and CB&T by CNB Financial and CNB and other conspirators induced breaches of those agreements by CB&T.

70. The improper interference with the contractual agreements between Plaintiffs and CB&T also resulted in the failure of the proposed merger.

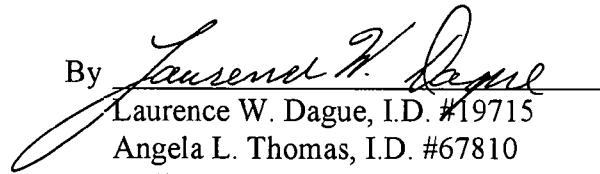
71. All of the damages alleged above were caused by improper interference with the contractual agreements between Plaintiffs and CB&T by CNB Financial and CNB and other conspirators.

WHEREFORE, Plaintiffs Penn Laurel Financial Corp. and CSB Bank respectfully request that this Honorable Court award damages against Defendants CNB Financial Corporation and County National Bank in an amount in excess of \$25,000, plus interest and costs and such other relief as the Court may deem necessary and/or appropriate.

SHUMAKER WILLIAMS, P.C.

Dated: 9/17/01

By



Laurence W. Dague, I.D. #19715

Angela L. Thomas, I.D. #67810

Melissa A. Swauger, I.D. #82382

P.O. Box 88

Harrisburg, PA 17108

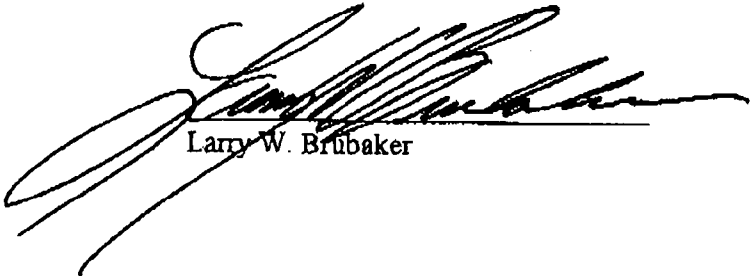
(717) 763-1121

Attorneys for Penn Laurel Financial Corp.
and CSB Bank

VERIFICATION

The undersigned, Larry W. Brubaker, hereby verifies and states that:

1. He is Chairman of the Board of Penn Laurel Financial Corporation and CSB Bank;
2. He is authorized to make this Verification on their behalf;
3. The facts set forth in the forgoing Complaint are true and correct to the best of his knowledge, information and belief, and
4. He is aware that any false statements therein are made subject to the penalties of 18 Pa.C.S.A. § 4904, relating to unsworn falsification to authorities.



Larry W. Brubaker

Dated: 9-17-2001

:130246

CERTIFICATE OF SERVICE

I, Laurence W. Dague, Esquire, of the law firm of Shumaker Williams, P.C., hereby certify that I served a true and correct copy of the foregoing Complaint on this date by depositing a copy of the same in the possession of the United States mail, first-class mail, postage prepaid, addressed as follows:

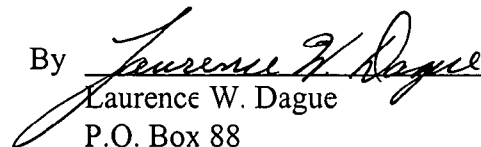
Peter F. Smith, Esquire
30 S. Second Street
P.O. Box 130
Clearfield, PA 16830
Attorney for County National Bank

SHUMAKER WILLIAMS, P.C.

Dated:

9/17/01

By


Laurence W. Dague
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121

PENN LAUREL FINANCIAL CORP.,
and CSB BANK,

Plaintiffs

v.

CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK

Defendants

: IN THE COURT OF COMMON PLEAS OF
: CLEARFIELD COUNTY, PENNSYLVANIA

:
: Civil Action No. 2001-01376-CD

:
: CIVIL ACTION - LAW

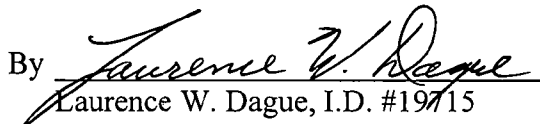
PRAECIPE TO ATTACH EXHIBITS TO COMPLAINT

PLEASE attach Exhibits "A" and "B" to the Complaint filed in this matter on September 18,
2001. These Exhibits were inadvertently not attached to said Complaint when it was filed.

SHUMAKER WILLIAMS, P.C.

Dated: 2/28/02

By


Laurence W. Dague, I.D. #19715
Angela L. Thomas, I.D. #67810
Melissa A. Swauger, I.D. #82382
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121

Attorneys for Penn Laurel Financial Corp.
and CSB Bank

:140372

FILED

MAR 01 2002

m11:20/noce

William A. Shaw

Prothonotary 

EXECUTION COPY
12/31/98

AGREEMENT AND PLAN OF REORGANIZATION

AMONG

PENN LAUREL FINANCIAL CORP.

CSB BANK

AND

CLEARFIELD BANK & TRUST COMPANY

December 31, 1998

THIS PAGE LEFT INTENTIONALLY BLANK

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I AGREEMENT AND PLAN OF MERGER	1
1.1 Agreement and Plan of Merger	1
ARTICLE II CONVERSION OF SHARES AND EXCHANGE OF STOCK CERTIFICATES	2
2.1 Conversion of Shares	2
2.2 Exchange of Stock Certificates	3
ARTICLE III REPRESENTATIONS AND WARRANTIES OF CLEARFIELD	6
3.1 Authority	6
3.2 Organization and Standing	6
3.3 No Subsidiaries	6
3.4 Capitalization	6
3.5 Articles of Incorporation, Bylaws and Minute Books	7
3.6 Consents	7
3.7 Financial Statements and Regulatory Reports	7
3.8 Absence of Undisclosed Liabilities	8
3.9 Absence of Changes	8
3.10 Dividends, Distributions and Stock Purchases	8
3.11 Taxes	8
3.12 Title to and Condition of Assets	9
3.13 Contracts	9
3.14 Litigation and Governmental Directives	10
3.15 Compliance with Laws; Governmental Authorizations	10
3.16 Insurance	11
3.17 Financial Institutions Bonds	11
3.18 Labor Relations	11
3.19 Employee Benefit Plans	11
3.20 Related Party Transactions	12
3.21 Complete and Accurate Disclosure	12
3.22 Beneficial Ownership of Penn Laurel Financial Corp. Common Stock	13
3.23 Environmental Matters	13
3.24 Proxy Statement/Prospectus	15
3.25 Non-Registration Under the Securities Exchange Act of 1934 ..	15
3.26 Deposit Insurance	15

3.27	Repurchase Agreements	15
3.28	Assumability of Contracts and Leases	15
3.29	Loans	16
3.30	Adjustable Rate Mortgages	16
3.31	CRA Compliance	16
3.32	Loan Loss Reserve	16
3.33	Trust Department and Fiduciary Relationships	16
3.34	Member Federal Reserve System	16
3.35	Year 2000 Compliance	16
3.36	Accuracy of Representations	16
ARTICLE IV	REPRESENTATIONS AND WARRANTIES OF PENN LAUREL ...	17
4.1	Authority	17
4.2	Organization and Standing	17
4.3	Subsidiaries	17
4.4	Capitalization	17
4.5	Articles of Incorporation, Bylaws and Minute Books	18
4.6	Consents	18
4.7	Financial Statements and Regulatory Reports	18
4.8	Absence of Undisclosed Liabilities	19
4.9	Absence of Changes	19
4.10	Dividends, Distributions and Stock Purchases	19
4.11	Taxes	19
4.12	Title to and Condition of Assets	19
4.13	Contracts	20
4.14	Litigation and Governmental Directives	21
4.15	Compliance with Laws; Governmental Authorizations	21
4.16	Insurance	21
4.17	Labor Relations	22
4.18	Employee Benefit Plans	22
4.19	Related Party Transactions	23
4.20	Complete and Accurate Disclosure	23
4.21	Beneficial Ownership and Clearfield Common Stock	23
4.22	Environmental Matters	24
4.23	Proxy Statement/Prospectus	25
4.24	Non-Registration Under the Securities Exchange Act of 1934 ..	25
4.25	Repurchase Agreements	25
4.26	Assumability of Contracts and Leases	25
4.27	Accuracy of Representations	25

ARTICLE V	REPRESENTATIONS AND WARRANTIES OF CSB	26
5.1	Capital Structure of CSB	26
5.2	Organization and Standing	26
5.3	Authorized and Effective Agreement	26
5.4	Financial Institutions Bonds	26
5.5	Deposit Insurance	26
5.6	Loans	26
5.7	Ajustable Rate Mortgages	27
5.8	CRA Compliance	27
5.9	Loan Loss Reserve	27
5.10	Member Federal Reserve System	27
5.11	Year 2000 Compliance	27
5.12	Accuracy of Representations	27
ARTICLE VI	COVENANTS OF CLEARFIELD	27
6.1	Conduct of Business	27
6.2	Best Efforts	30
6.3	Access to Properties and Records	31
6.4	Subsequent Financial Statements	31
6.5	Board and Committee Minutes	32
6.6	Update Information	32
6.7	Notice	32
6.8	Other Proposals	32
6.9	Dividends	32
6.10	Core Deposits	32
6.11	Affiliate Letters	33
6.12	No Purchases or Sales of Penn Laurel Common Stock During Price Determination Period	33
6.13	Accounting Treatment	33
6.14	Press Releases	33
6.15	Phase I Environmental Audit	33
ARTICLE VII	COVENANTS OF PENN LAUREL AND CSB	33
7.1	Conduct of Business	33
7.2	Best Efforts	37
7.3	Access to Properties and Records	38
7.4	Subsequent Financial Statements	38
7.5	Board and Committee Minutes	38
7.6	Update Information	38
7.7	Notice	38

12/31/98

ARTICLE XIV	GENERAL PROVISIONS	52
14.1	Expenses	52
14.2	Access; Confidentiality	52
14.3	Notices	52
14.4	Captions	53
14.5	Counterparts	53
14.6	Severability	53
14.7	Parties in Interest	54
14.8	Entire Agreement	54
14.9	Governing Law	54
EXHIBITS:	AGREEMENT AND PLAN OF MERGER	A-1
	("BANK MERGER AGREEMENT")	

7.8	Other Proposals	39
7.9	Dividends	39
7.10	Core Deposits	39
7.11	No Purchase or Sales of Penn Laurel Common Stock During Price Determination Period	39
7.12	Accounting Treatment	39
7.13	Press Releases	39
7.14	Phase I Environmental Audit	40
ARTICLE VIII	CONDITIONS PRECEDENT	40
8.1	Common Conditions	40
8.2	Conditions Precedent to Obligations of Penn Laurel and CSB ..	42
8.3	Conditions Precedent to the Obligations of Clearfield	45
ARTICLE IX	TERMINATION, AMENDMENT AND WAIVER	48
9.1	Termination	48
9.2	Effect of Termination	49
9.3	Amendment	50
9.4	Waiver	50
ARTICLE X	RIGHTS OF DISSENTING SHAREHOLDERS	50
10.1	Rights of Dissenting Shareholders	50
ARTICLE XI	CLOSING AND EFFECTIVE DATE	50
11.1	Closing	50
11.2	Effective Date	50
ARTICLE XII	NO SURVIVAL OF REPRESENTATIONS AND WARRANTIES	51
12.1	No Survival	51
ARTICLE XIII	POST-MERGER AGREEMENTS	51
13.1	Employees	51
13.2	Officers	51
13.3	Board Appointments	52

THIS PAGE LEFT INTENTIONALLY BLANK

12/31/98**AGREEMENT AND PLAN OF REORGANIZATION**

This Agreement and Plan of Reorganization ("Agreement") is dated and made this 31st day of December, 1998, by and among Penn Laurel Financial Corp., a Pennsylvania business corporation having its corporate headquarters at 434 State Street, Curwensville, Clearfield County, Pennsylvania 16833 ("Penn Laurel"), CSB Bank, a Pennsylvania chartered banking institution and the wholly-owned subsidiary of Penn Laurel, having its corporate headquarters at 434 State Street, Curwensville, Clearfield County, Pennsylvania 16833 ("CSB"), and Clearfield Bank & Trust Company, a Pennsylvania chartered bank and trust company having its corporate headquarters at 11 North Second Street, Clearfield County, Clearfield, Pennsylvania 16830 ("Clearfield").

Background:

Penn Laurel is a Pennsylvania business corporation and a registered bank holding company. CSB is a Pennsylvania chartered banking institution and a wholly-owned subsidiary of Penn Laurel. Clearfield is a Pennsylvania chartered bank and trust company. Penn Laurel, CSB and Clearfield wish to affiliate through a business combination to form a stronger, more effective community financial institution. Subject to the terms and conditions of this Agreement, the foregoing transaction will be accomplished by means of a reorganization and merger pursuant to which Clearfield will merge with CSB. The resulting bank of the merger shall change its name to Penn Laurel Bank & Trust, relocate its corporate headquarters to 11 North Second Street, Clearfield, Pennsylvania and all of the outstanding shares of capital stock of Clearfield, par value \$1.5625 per share (the "Clearfield Common Stock") will be converted into and become the right to receive shares of common stock of Penn Laurel, par value \$5.00 per share (the "Penn Laurel Common Stock") in the manner, on the terms, and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises, mutual promises, covenants, agreements, representations and warranties hereinafter set forth, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I**AGREEMENT AND PLAN OF MERGER**

Section 1.1. Agreement and Plan of Merger. Subject to the terms and conditions of this Agreement, Clearfield shall merge with CSB (the "Merger") in accordance with the Agreement and Plan of Merger attached as Exhibit A to this Agreement (the "Bank Merger Agreement") and pursuant to the provisions of the Pennsylvania Banking Code of 1965, as amended (the "Banking Code").

12/31/98

ARTICLE II

CONVERSION OF SHARES AND
EXCHANGE OF STOCK CERTIFICATES

Section 2.1. Conversion of Shares. On the Effective Date (as defined in Section 11.2 of this Agreement) the shares of Clearfield Common Stock then outstanding shall be converted into and become the right to receive shares of Penn Laurel Common Stock, as follows:

(a) **General.** Subject to the provisions of Section 2.1(b); 2.1(c) and 2.1(d) of this Article II, each share of Clearfield Common Stock issued and outstanding immediately before the Effective Date shall, on the Effective Date, be converted into and become, without any action on the part of the holder thereof, the right to receive .97 shares of Penn Laurel Common Stock. Subject to the provisions of Section 2.1(b), the aggregate number of shares of Penn Laurel Common Stock to be issued under this Agreement shall not exceed 559,505 shares.

(b) **Anti-dilution Provision.** In the event that Penn Laurel shall at any time before the Effective Date: (i) declare or pay a dividend in shares of Penn Laurel Common Stock, (ii) combine the outstanding shares of Penn Laurel Common Stock into a smaller number of shares, or (iii) subdivide the outstanding shares of Penn Laurel Common Stock into a greater number of shares, or (iv) reclassify the shares of Penn Laurel Common Stock, then the exchange provisions of Section 2.1 (a) of this Article II shall be proportionately adjusted.

(c) **No Fractional Shares.** No fractional shares of Penn Laurel Common Stock, and no scrip or certificates therefor, shall be issued in connection with the Merger. In lieu of the issuance of any fractional share to which a former shareholder would otherwise be entitled, the former shareholder shall receive, in cash, an amount equal to the fair market value of his fractional interest. The fair market value of the fractional interest shall be the arithmetic average of the average of the per share closing bid and asked reported prices for Penn Laurel Common Stock for the fifteen (15) trading days immediately preceding the date of receipt of the last required regulatory approval for the transactions contemplated by this Agreement and, the Bank Merger Agreement (the "Approval Date"), as reported i) by Ryan, Beck & Co. and by F. J. Morrissey & Co., Inc.; or, in the event that neither of these firms is then making a market in Penn Laurel Common Stock, (ii) by two brokerage firms then making a market in Penn Laurel Common Stock to be selected by Penn Laurel and approved by Clearfield. The foregoing fifteen (15) trading days being hereinafter sometimes referred to as the "Price Determination Period." (For example, if March 3, 1999 is the Approval Date, the Price Determination Period, would be February 7, 10, 11, 12, 13, 14, 18, 19, 20, 21, 22, 25, 26, 27 and 28, 1999).

(d) **Clearfield Treasury Stock.** Each share of Clearfield Common Stock issued and held in the treasury of Clearfield as of the Effective Date, if any, shall be canceled, and no cash, stock, or other property shall be delivered in exchange therefor.

12/31/98

(e) Penn Laurel Common Stock.

(i) Each share of Penn Laurel Common Stock issued and outstanding immediately prior to the Effective Date, shall, on and after the Effective Date, continue to be issued and outstanding as an identical share of Penn Laurel Common Stock.

(ii) Each share of Penn Laurel Common Stock issued and held in the treasury of Penn Laurel as of the Effective Date, if any, shall, on and after the Effective Date, continue to be issued and held in the treasury of Penn Laurel.

(f) Each share of Clearfield Common Stock owned by Penn Laurel or a wholly-owned subsidiary of Penn Laurel, other than shares held in trust, managed, custodial or nominee accounts and the like, that in any such case are beneficially owned by third parties, on the Effective Date, shall be cancelled and retired and shall cease to exist and no shares of Penn Laurel or other consideration shall be deliverable in exchange therefor.

Section 2.2. Exchange of Stock Certificates. Clearfield Common Stock certificates shall be exchanged for Penn Laurel Common Stock certificates in accordance with the following procedures:

(a) Exchange Agent. The transfer agent of Penn Laurel shall act as exchange agent (the "Exchange Agent") to receive Clearfield Common Stock certificates from the holders thereof and to exchange the certificates for Penn Laurel Common Stock certificates and (if applicable) to pay cash for fractional shares of Clearfield Common Stock pursuant to Section 2.1(c) above. The Exchange Agent shall, on or promptly after the Effective Date, mail to each former shareholder of Clearfield a notice specifying the procedures to be followed in surrendering Clearfield Common Stock certificates.

(b) Surrender of Certificates. As promptly as possible after receipt of the Exchange Agent's notice, each former shareholder of Clearfield shall surrender his Clearfield Common Stock certificates to the Exchange Agent; provided, that if any former shareholder of Clearfield shall be unable to surrender his Clearfield Common Stock certificates due to loss or mutilation thereof, he may make a constructive surrender by following procedures comparable to those customarily used by Penn Laurel for issuing replacement certificates to Penn Laurel shareholders whose Penn Laurel Common Stock certificates have been lost or mutilated. Upon receiving a proper actual or constructive surrender of Clearfield Common Stock certificates from a former Clearfield shareholder, the Exchange Agent shall issue to the shareholder, in exchange therefor, a Penn Laurel Common Stock certificate representing the whole number of shares of Penn Laurel Common Stock into which the shareholder's shares of Clearfield Common Stock have been converted in accordance with this Article II, together with a check in the amount of any cash to which the shareholder is entitled, pursuant to Section 2.1(c) of this Agreement, in lieu of the issuance of a fractional share.

12/31/98

(c) Dividend Withholding. Dividends, if any, payable by Penn Laurel after the Effective Date to any former shareholder of Clearfield who has not, prior to the payment date, surrendered his Clearfield Common Stock certificates may, at the option of Penn Laurel, be withheld. Any dividends so withheld shall be paid, without interest, to the former shareholder of Clearfield upon proper surrender of the Clearfield Common Stock certificates. Subject to the accounting rules regarding pooling of interest method of accounting, each party shall use their best efforts to cooperate in the declaration and timing of the payment of dividends to assure that neither a windfall nor a detriment to each party's respective shareholders shall occur concerning the amount and timing of the payment of dividends.

(d) Failure to Surrender Certificates. All Clearfield Common Stock certificates must be surrendered to the Exchange Agent within two (2) years after the Effective Date. In the event that any former shareholder of Clearfield shall not have properly surrendered his Clearfield Common Stock certificates within two (2) years after the Effective Date, the shares of Penn Laurel Common Stock that would otherwise have been issued to the shareholder may, at the option of Penn Laurel, be sold and the net proceeds of the sale, together with the cash (if any) to which the shareholder is entitled in lieu of the issuance of a fractional share and any previously accrued dividends, shall be held in a non-interest bearing account for the benefit of the former shareholder. From and after any sale, the sole right of the former shareholder of Clearfield shall be the right to collect the net proceeds, cash and accumulated dividends. Subject to all applicable laws of escheat, the net proceeds, cash and accumulated dividends shall be paid to the former shareholder of Clearfield, without interest, upon proper surrender of the former shareholder's certificates.

(e) Expenses of Share Surrender and Exchange. All costs and expenses associated with the foregoing surrender and exchange procedure shall be borne by Penn Laurel. Notwithstanding the foregoing, no party hereto will be liable to any holder of Clearfield Common Stock for any amount paid in good faith to a public official or agency pursuant to any applicable abandoned property, escheat or similar law.

(f) Exchange Procedures. Each certificate for shares of Clearfield Common Stock delivered for exchange under this Article II must be endorsed in blank by the registered holder thereof or be accompanied by a power of attorney to transfer the shares endorsed in blank by the holder. If more than one certificate is surrendered at one time and in one transmittal package for the same shareholder account, the number of whole shares of Penn Laurel Common Stock for which certificates will be issued pursuant to this Article II will be computed on the basis of the aggregate number of shares represented by the certificates so surrendered. If shares of Clearfield Common Stock or payments of cash are to be issued or made to a person other than the one in whose name the surrendered certificate is registered, the certificate so surrendered must be properly endorsed in blank, with signature(s) guaranteed, or otherwise in proper form for transfer, and the person to whom certificates for shares of Penn Laurel Common Stock is to be issued or to whom cash is to be paid shall pay any transfer or other taxes required by reason of the issuance or payment to a person other than the registered holder of the certificate for shares of Clearfield Common

12/31/98

Stock that are surrendered. As promptly as practicable after the Effective Date, Penn Laurel shall send or cause to be sent to each shareholder of record of Clearfield Common Stock transmittal materials for use in exchanging certificates representing Clearfield Common Stock for certificates representing Penn Laurel Common Stock into which the former have been converted in the Merger.

(g) Closing of Stock Transfer Books; Cancellation of Clearfield Certificates.

Upon the Effective Date, the stock transfer books for Clearfield Common Stock will be closed and no further transfers of shares of Clearfield Common Stock will thereafter be made or recognized. All certificates for shares of Clearfield Common Stock surrendered pursuant to this Article II will be canceled by Penn Laurel.

(h) Rights Evidenced by Certificate. Each certificate for shares of Penn Laurel Common Stock issued in exchange for certificates for Clearfield Common Stock pursuant to Section 2.2(f) hereof will be dated as of the Effective Date and be entitled to dividends and all other rights and privileges pertaining to the shares of Penn Laurel Common Stock from and after the Effective Date. Until surrendered, each certificate theretofore evidencing shares of Clearfield Common Stock will, from and after the Effective Date, evidence solely the right to receive certificates for shares of Penn Laurel Common Stock pursuant to Section 2.2(f) of this Agreement. If certificates for shares of Clearfield Common Stock are exchanged for Penn Laurel Common Stock at a date following one or more record dates for the payment of dividends or of any other distribution on the shares of Penn Laurel Common Stock subsequent to the Effective Date, Penn Laurel will pay cash in an amount equal to dividends theretofore payable on the Penn Laurel Common Stock and pay or deliver any other distribution to which holders of shares of Penn Laurel Common Stock have theretofore become entitled. No interest will accrue or be payable in respect of dividends or cash otherwise payable under this Section 2.2 upon surrender of certificates for shares of Penn Laurel Common Stock. Notwithstanding the foregoing, no party hereto will be liable to any holder of Clearfield Common Stock for any amount paid in good faith to a public official or agency pursuant to any applicable abandoned property, escheat or similar law. Until the certificates for shares of Clearfield Common Stock are surrendered by a Clearfield shareholder to Penn Laurel for exchange, Penn Laurel shall have the right to withhold dividends or any other distributions, without interest, on the shares of the Penn Laurel Common Stock issuable to the shareholder.

(i) Payment Procedures. As soon as practical after the Effective Date, Penn Laurel shall make payment of the cash consideration provided for in Section 2.1(c) to each person entitled thereto.

12/31/98

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF CLEARFIELD

Clearfield represents and warrants to Penn Laurel and CSB, as of this date, as follows:

Section 3.1. Authority. Clearfield has all requisite corporate power and authority to enter into and perform all of its obligations under this Agreement and the Bank Merger Agreement. The execution and delivery of this Agreement and the Bank Merger Agreement and the performance of the transactions contemplated herein and therein have been duly and validly authorized by the Board of Directors of Clearfield and, except for the approval of this Agreement and the Bank Merger Agreement by its shareholders, Clearfield has taken all corporate action necessary on its part to authorize this Agreement and the Bank Merger Agreement and the performance of the transactions contemplated herein and therein. This Agreement and the Bank Merger Agreement have been duly executed and delivered by Clearfield and, assuming due authorization, execution and delivery by Penn Laurel and CSB, constitute valid and binding obligations of Clearfield, in each case enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency, and other laws of general applicability relating to or affecting creditors' rights and general equity principles. Neither the execution and delivery of this Agreement and the Bank Merger Agreement, nor consummation of the transactions contemplated hereby or thereby, nor compliance by Clearfield with any of the provisions hereof or thereof (i) conflict with or result in a breach of any provisions of the Articles of Incorporation or By-laws of Clearfield, (ii) constitute or result in a material breach of any term, condition or provisions of, or constitute a default under or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge, security interest or other encumbrance upon any property or assets of Clearfield pursuant to any note, bond, mortgage, indenture, deed of trust, license, agreement or other instrument or obligation, which will have, in the aggregate, a material adverse effect on Clearfield, or (iii) violate any order, writ, injunction, decree, statute, code, ordinance, rule, regulation or judgment applicable to Clearfield.

Section 3.2. Organization and Standing. Clearfield is a duly organized bank and trust company, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. Clearfield has full power and authority to carry out its business as now conducted and is duly qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires qualification and where failure to so qualify would have a material adverse effect on the financial condition, results of operations, business or prospects of Clearfield.

Section 3.3. No Subsidiaries. Except as previously disclosed, Clearfield owns no subsidiaries, directly or indirectly.

Section 3.4. Capitalization. The authorized capital stock of Clearfield consists solely of 617,600 shares of capital stock, par value \$1.5625 per share, Clearfield Common Stock, of which, at the date hereof, 576,809 shares are issued and outstanding. All outstanding shares of Clearfield Common Stock have been duly authorized and are validly issued, fully paid and nonassessable.

12/31/98

None of the shares of Clearfield Common Stock have been issued in violation of the preemptive rights of any person or entity. At the date hereof, there are no authorized, issued and outstanding options, convertible securities, warrants or other rights to purchase or acquire any of the Clearfield Common Stock from Clearfield. There are no outstanding agreements, restrictions, contracts, commitments or demands of any character to which Clearfield is a party, that relate to the transfer or restrict the transfer of any shares of Clearfield Common Stock. There are no shareholder agreements, understandings or commitments relating to the right of Clearfield to vote or dispose of its shares.

Section 3.5. Articles of Incorporation, Bylaws and Minute Books. The copies of the Articles of Incorporation and Bylaws of Clearfield that have been delivered to Penn Laurel and CSB are true, correct and complete. Except as previously disclosed, all minute books of Clearfield have been made available to Penn Laurel and CSB for inspection and are true, correct and complete in all material respects and record the actions taken by the Board of Directors of Clearfield at the meetings documented in the minutes.

Section 3.6. Consents. Except for the consents, approvals, filings and registrations contemplated by Sections 8.1(a) and (c) hereof, and compliance with any conditions contained therein, and the approval of this Agreement and the Bank Merger Agreement by the shareholders of Clearfield, no consents or approvals of, or filings or registrations with, any public body or authority are necessary, and no consents or approvals of any third parties are necessary, or will be, in connection with the execution and delivery of this Agreement or the Bank Merger Agreement by Clearfield, and the consummation by Clearfield of the transactions contemplated hereby. Clearfield has no reason to believe that any required consents or approvals will not be received or will be received with conditions, limitations or restrictions unacceptable to it or that would adversely impact Clearfield's ability to consummate the transactions contemplated by this Agreement.

Section 3.7. Financial Statements and Regulatory Reports. Clearfield has delivered to Penn Laurel and CSB its (i) Balance Sheets, Statements of Income, Statements of Stockholders' Equity and Statements of Cash Flows as of and for the years ended December 31, 1997 and December 31, 1996, certified by Young, Oakes, Brown & Company, P.C., of Altoona, Pennsylvania, Clearfield's independent auditors, and set forth in the Annual Report to the Shareholders of Clearfield for the year ended on December 31, 1997 (the "Clearfield Financial Statements") and (ii) Call Reports, Consolidated Reports of Condition and Income, (the aforementioned consolidated report of condition and income as of September 30, 1998, is referred to herein as the "Clearfield Balance Sheet") and accompanying schedules, filed by Clearfield with any regulatory authority for each calendar quarter, beginning with the quarter ended September 30, 1998, through the Effective Date ("Clearfield Regulatory Reports"). Each of the foregoing financial statements fairly presents the financial condition, assets and liabilities, and results of operations of Clearfield at their respective dates and for the respective periods then ended and have been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted in a footnote thereto and subject, in the case of the interim financial statements contained in the aforesaid Clearfield Regulatory Report, to normal recurring year-end adjustments, that are not material in any case or in the aggregate. The books and records of Clearfield are

12/31/98

maintained in accordance with generally accepted accounting principles consistently applied. The Clearfield Regulatory Reports have been, or will be, prepared in accordance with applicable regulatory accounting principles and practices applied on a consistent basis throughout the periods covered by the statements, and fairly present, or will fairly present, the financial position, results of operations and changes in shareholders' equity of Clearfield as of and for the periods ended on the dates thereof, in accordance with applicable regulatory accounting principles applied on a consistent basis.

Section 3.8. Absence of Undisclosed Liabilities. Except as previously disclosed, or as reflected, noted or adequately reserved against in the Clearfield Balance Sheet, as at September 30, 1998, Clearfield had no liabilities (whether accrued, absolute, contingent or otherwise) or asset impairment that are required to be reflected, noted or reserved against therein under generally accepted accounting principles or that are, in any case or in the aggregate, material. Except as previously disclosed, since September 30, 1998, Clearfield has not incurred any liability, other than liabilities of the same nature as those set forth in the Clearfield Balance Sheet, all of which have been reasonably incurred in the ordinary course of business consistent with customary business practices of prudently managed banks (hereinafter referred to as "Ordinary Course of Business").

Section 3.9. Absence of Changes. Since September 30, 1998, Clearfield has conducted its business in the Ordinary Course of Business and, except as previously disclosed, Clearfield has not undergone any change in condition (financial or otherwise), assets, liabilities, business or operations, other than changes in the Ordinary Course of Business that have not been, either in any case or in the aggregate, materially adverse.

Section 3.10. Dividends, Distributions and Stock Purchases. Except as previously disclosed, since September 30, 1998, Clearfield has not declared, set aside, made or paid any dividend or other distribution in respect of the Clearfield Common Stock, or purchased, issued or sold any shares of Clearfield Common Stock.

Section 3.11. Taxes. Clearfield has filed all federal, state, county, municipal and foreign tax returns, reports and declarations that are required to be filed by Clearfield. Except as previously disclosed, (i) Clearfield has paid all taxes, penalties and interest that have become due pursuant thereto or that became due pursuant to assessments, and (ii) Clearfield has not received any notice of deficiency or assessment of additional taxes and no tax audits are in process. The Internal Revenue Service (the "IRS") has not, to the knowledge of Clearfield, commenced, or given notice of its intention to commence any examination or audit of the federal income tax returns of Clearfield for any year through and including the year ended December 31, 1997. Clearfield has not granted any waiver of any statute of limitations or otherwise agreed to any extension of a period for the assessment of any federal, state, county, municipal or foreign income tax. Except as previously disclosed, the accruals and reserves reflected in the Clearfield Balance Sheet are adequate to cover all taxes (including interest and penalties, if any, thereon) payable or accrued as a result of its operations for all periods prior to the date of the Clearfield Balance Sheet.

12/31/98

Section 3.12. Title to and Condition of Assets. Clearfield has good and marketable title to all real and personal properties and assets reflected in the Clearfield Balance Sheet or acquired subsequent to September 30, 1998 (other than property and assets disposed of in the Ordinary Course of Business), free and clear of all liens or encumbrances of any kind whatsoever other than: (i) as reflected in the Clearfield Balance Sheet; (ii) liens of current taxes not yet due; and (iii) imperfections of title, encumbrances and easements, if any, that are not substantial in character, amount or extent and do not materially detract from the value, or interfere with the present or proposed use, of the properties and assets subject thereto. The structures and other improvements to real estate, furniture, fixtures and equipment reflected in the Clearfield Balance Sheet or acquired subsequent to September 30, 1998, are in good operating condition and repair (ordinary wear and tear excepted) and comply in all material respects with all applicable laws, ordinances and regulations, including without limitation all building codes, zoning ordinances and other similar laws. Clearfield owns or has the right to use all real and personal properties and assets necessary to the conduct of its business as now conducted.

Section 3.13. Contracts. All contracts, agreements, leases, licenses and other commitments are valid and in full force and effect, and all parties thereto have in all material respects performed all obligations required to be performed by them to date and are not in default in any material respect.

Except as disclosed on Schedule 3.13, Clearfield is not a party to or subject to (i) any employment, consulting or severance contract or arrangement with any past or present officer, director or employee, except for "at will" arrangements (ii) any plan, arrangement or contract providing for bonuses, options, deferred compensation, profit sharing or similar arrangements for or with any past or present officers, directors or employees of Clearfield; (iii) any collective bargaining agreement with any labor union relating to employees of Clearfield; (iv) any agreement that by its terms limits the payment of dividends by Clearfield; (v) any instrument evidencing or related to indebtedness for borrowed money in excess of \$20,000, whether directly or indirectly, by way of purchase money obligation, conditional sale, lease purchase, guaranty or otherwise, in respect of which Clearfield is an obligor to any person, which instrument evidences or relates to indebtedness other than deposits, repurchase agreements, bankers acceptances and "treasury tax and loan" accounts established in the Ordinary Course of Business and transactions in federal funds or that contains financial covenants or other restrictions (other than those relating to the payment of principal and interest when due) that would be applicable on or after the Effective Date to Penn Laurel or any Penn Laurel subsidiary; (vi) any contract (other than this Agreement) limiting the freedom of Clearfield to engage in any type of banking or banking-related business permissible under law; or (vii) any contract, plan or arrangement that provides for payments or benefits in certain circumstances that, together with other payments or benefits payable to any participant therein or party thereto, might render any portion of any payments or benefits subject to disallowance of deduction therefor as a result of the application of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code").

No party to any material contract, plan, arrangement or instrument that requires annual payments in excess of \$10,000 will have the right to terminate any or all of the provisions of any

12/31/98

contract, plan, arrangement or instrument as a result of the transactions contemplated by this Agreement, and none of the employees of Clearfield possess the right to terminate their employment as a result of the execution of this Agreement. Except as otherwise previously disclosed, no plan, employment agreement, termination agreement, or similar agreement or arrangement to which Clearfield is a party or under which Clearfield may be liable contains provisions that permit an employee or independent contractor to terminate it without cause and continue to accrue future benefits thereunder. No agreement, plan or arrangement provides for acceleration in the vesting of benefits or payments due thereunder upon the occurrence of a change in ownership or control of Clearfield absent the occurrence of a subsequent event; provides for benefits that may cause the disallowance of a federal income tax deduction under Section 280G of the Code; or requires Clearfield to provide a benefit in the form of Clearfield Common Stock or determined by reference to the value of Clearfield Common Stock.

Section 3.14. Litigation and Governmental Directives. There is no litigation, investigation or proceeding pending, or to the knowledge of Clearfield threatened, that involves Clearfield or its properties and that, if determined adversely, would materially and adversely affect the condition (financial or otherwise), assets, liabilities, business, operations or future prospects of Clearfield; there are no outstanding orders, writs, injunctions, judgments, decrees, regulations, directives, consent agreements or memoranda of understanding issued by any federal, state or local court or governmental authority or arbitration tribunal issued against or with the consent of Clearfield that materially and adversely affect the condition (financial or otherwise), assets, liabilities, business, operations or future prospects of Clearfield or that in any manner restrict Clearfield's right to conduct its business as presently conducted, or challenge the validity or propriety of any of the transactions contemplated by the Agreement, or that could adversely affect the ability of Clearfield to perform under this Agreement; and Clearfield is not aware of any fact or condition presently existing that might give rise to any litigation, investigation or proceeding that, if determined adversely to Clearfield, would materially and adversely affect the condition (financial or otherwise), assets, liabilities, business, operations or future prospects of Clearfield.

Section 3.15. Compliance with Laws; Governmental Authorizations. Clearfield is in compliance with all statutes, laws, ordinances, rules, regulations, judgments, orders, decrees, directives, consent agreements, memoranda of understanding, permits, concessions, grants, franchises, licenses, and other governmental authorizations or approvals applicable to Clearfield or to any of its properties; all permits, concessions, grants, franchises, licenses and other governmental authorizations and approvals necessary for the conduct of the business of Clearfield as presently conducted have been duly obtained and are in full force and effect, and there are no proceedings pending, or to the knowledge of Clearfield threatened, that may result in the revocation, cancellation, suspension or materially adverse modification of any thereof; and Clearfield has not received any notification or communication from any regulatory authority (A) asserting that it is not in substantial compliance with any of the statutes, regulations or ordinances that the regulatory authorities enforce; (B) requiring or threatening to require Clearfield, or indicating that Clearfield may be required, to enter into a cease and desist order, agreement or memorandum of understanding or any other agreement restricting or limiting, or purporting to restrict or limit, in any manner the operations of Clearfield, including without limitation, any restriction on the payment of dividends (any notice,

12/31/98

communication, memorandum, agreement or order described herein is referred to as a "Regulatory Agreement"); (C) threatening to revoke any license, franchise, permit or governmental authorization that is material to Clearfield; (D) requiring Clearfield to enter into any Regulatory Agreement; or (E) requesting that board resolutions be adopted pursuant to regulatory action.

Section 3.16. Insurance. All policies of insurance, including all policies of title insurance and financial institutions bonds, held by or on behalf of Clearfield are in full force and effect and no notices of cancellation have been received in connection therewith. All the policies of insurance have been issued by reputable insurers and, in respect of amounts, types and risks, the insurance is customary with industry practices for the business conducted by Clearfield.

Section 3.17. Financial Institutions Bonds. Since January 1, 1991, Clearfield has continuously maintained in full force and effect a financial institutions bond insuring Clearfield against acts of dishonesty by each of its employees. Except as previously disclosed, no claim has been made under any bond, and Clearfield is not aware of any fact or condition presently existing that might form the basis of a claim under any bond. Clearfield has no reason to believe that its present financial institutions bond will not be renewed by its carrier on substantially the same terms and at the same rate as now in effect.

Section 3.18. Labor Relations. Clearfield is not a party to or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is Clearfield the subject of a proceeding asserting that Clearfield has committed an unfair labor practice or seeking to compel Clearfield to bargain with any labor organization as to wages and conditions of employment, nor is there any strike or other labor dispute involving Clearfield pending, or to the knowledge of Clearfield, threatened, that might materially adversely affect the condition (financial or otherwise), assets, liabilities, business or operations of Clearfield. Clearfield is not subject to or a party in any Complaint or action before the Pennsylvania Human Relations Commission, the Equal Employment Opportunity Commission, or the Department of Labor. There are no labor disputes pending, or to the knowledge of Clearfield threatened, that might materially and adversely affect the condition (financial or otherwise), assets, liabilities, business or operations of Clearfield.

Section 3.19. Employee Benefit Plans. Each "employee benefit plan", as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that now covers any employee of Clearfield, its predecessors or affiliates, complies in all material respects with all applicable requirements of ERISA, the Code and other applicable laws. Neither Clearfield nor any of its predecessors or affiliates has engaged in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) or any breach of fiduciary responsibility under Part 4 of Title I of ERISA, with respect to which a prohibited transaction is likely to result in any material penalties or taxes under Section 502 of ERISA or Section 4975 of the Code, or any material liability to any participant or beneficiary of the plan. No material liability to the Pension Benefit Guaranty Corporation has been or is expected to be incurred by Clearfield with respect to itself or its predecessors or affiliates with respect to any plan that is subject to Title IV of ERISA, or with respect to any "single employer plan" (as defined in Section 4001(a)(15) of ERISA) currently or

12/31/98

formerly maintained. No plan had an "accumulated funding deficiency" (as defined in Section 302 of ERISA) (whether or not waived) as of the last day of the end of the most recent plan year ending prior to the date hereof. The fair market value of the assets of each plan exceeds the present value of the "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA) under each plan as of the end of the most recent plan year, calculated on the basis of the actuarial assumptions used in the most recent actuarial valuation for each plan. No notice of a "reportable event" (as defined in Section 4043 of ERISA) for which the 30-day reporting requirement has not been waived has been required to be filed for any of the plans within the 12-month period ending on the date hereof. Neither Clearfield, its predecessors or affiliates has provided, or is required to provide, security to any plans pursuant to Section 401(a)(29) of the Code. Clearfield, its predecessors and affiliates have contributed to no "multi-employer plan", as defined in Section 3(37) of ERISA, on or after September 26, 1980. All actuarial valuations and other documents and information concerning benefit plans delivered or made available in connection with this Agreement are true and correct as of the date(s) shown thereon, and all actuarial methods and assumptions are appropriate for the plans, and are consistent with the methods and assumptions permitted by the Code and ERISA. All the plans are funded to the extent that the assets of each plan would then be sufficient to pay all vested accrued benefits thereunder, and there would be no employer liability under Title IV of ERISA. Except as previously disclosed, since 1990, there has been no audit of any benefit plan of Clearfield by the Department of Labor, the IRS or the Pension Benefit Guaranty Corporation ("PBGC"). There has not been any audit of the Pension Plan or any of Clearfield's other employee benefit plans by the Department of Labor, the IRS or the PBGC since 1988. Clearfield, its predecessors and affiliates, have no obligation for retiree health and life benefits under any benefit plan, contract, or arrangement. Clearfield has no obligation for any post-retirement benefits under any plan, contract or arrangement except as previously disclosed on Schedule 3.19.

Section 3.20. Related Party Transactions. Except as previously disclosed, Clearfield has no contract, extension of credit, business arrangement or other relationship of any kind with any of the following persons: (i) any present or former officer or director of Clearfield; (ii) any shareholder owning five percent or more of the outstanding Clearfield Common Stock; and (iii) any "associate" (as defined in Rule 405 promulgated by the Securities and Exchange Commission (the "Commission")) of the foregoing persons or any business in which any of the foregoing persons is an officer, director, employee or five percent or greater equity owner. Each extension of credit previously disclosed has been made in the Ordinary Course of Business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable arms' length transactions with other persons that do not involve more than a normal risk of collectibility or present other unfavorable features.

Section 3.21. Complete and Accurate Disclosure. Neither this Agreement (insofar as it relates to Clearfield, Clearfield Common Stock and Clearfield's involvement in the transactions contemplated hereby) nor any financial statement, schedule, certificate, or other statement or document delivered by Clearfield to Penn Laurel or CSB in connection herewith contains any statement that, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact or omits to state any material fact necessary to make the statements contained herein or therein not false or misleading. In particular, without limiting the

12/31/98

generality of the foregoing sentence, the information provided and the representations made by Clearfield to Penn Laurel and CSB in connection with the Registration Statement (as defined in Section 7.2(b) of this Agreement), both at the time the information and representations are provided and made and at the Effective Date, will be true and accurate in all material respects and will not contain any false or misleading statement with respect to any material fact or omit to state any material fact necessary (i) to make the statements made therein not false or misleading, or (ii) to correct any statement contained in an earlier communication with respect to the information or representations that has become false or misleading.

Section 3.22. Beneficial Ownership of Penn Laurel Common Stock. Prior to the Effective Date, Clearfield and its officers and directors will not beneficially own, in the aggregate, (within the meaning of Commission Rule 13d-3(d)(1)) more than five percent of the outstanding shares of Penn Laurel Common Stock, except as may be held by the Clearfield Trust Department.

Section 3.23. Environmental Matters. For purposes of this Section 3.23 and Section 4.22 below, the following terms shall have the indicated meaning:

"Environmental Law" means any federal, state or local law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, order, judgment, decree, injunction or agreement with any governmental entity relating to: the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface soil, subsurface soil, plant and animal life or any other natural resource); and the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances. The term Environmental Law includes without limitation: the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §9601, *et seq.*, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, *et seq.*, the Clean Air Act, as amended, 42 U.S.C. §7401, *et seq.*, the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, *et seq.*, the Toxic Substances Control Act, as amended, 15 U.S.C. §9601, *et seq.*, the Emergency Planning and Community Right to Know Act, 42 U.S.C. §11001, *et seq.*, the Safe Drinking Water Act, 42 U.S.C. §300f, *et seq.*, and all comparable state and local laws; and any common law (including without limitation common law that may impose strict liability) that may impose liability or obligation for injuries or damages due to, or threatened as a result of, the presence of or exposure to any Hazardous Substance.

"Hazardous Substance" means any substance presently listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous or otherwise regulated under any Environmental Law, whether by type or by quantity, including any material containing any such substance as a component. Hazardous Substances include, without limitation, petroleum or any derivative or by-product thereof, asbestos, radioactive material, and polychlorinated biphenyls.

12/31/98

"Loan Portfolio Properties and Other Properties Owned" means those properties serving as collateral for loans in CSB's or Clearfield's loan portfolio as the case may be, or properties owned or operated by CSB or Clearfield (including, without limitation, in a fiduciary capacity), as the case may be.

Except as previously disclosed:

(a) Clearfield has not been and is not in violation of or liable under any Environmental Law.

(b) To the knowledge of Clearfield, , none of the Loan Portfolio Properties and Other Properties Owned have been or are in violation of or liable under any Environmental Law.

(c) Clearfield has no knowledge that any environmental contaminant, pollutant, toxic or hazardous waste or other similar substance has been generated, used, stored, processed, disposed of or discharged onto any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Clearfield, except as previously disclosed. In particular, without limiting the generality of the foregoing sentence, except as previously disclosed, Clearfield has no knowledge that: (i) any materials containing asbestos have been used or incorporated in any building or other structure or improvement located on any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Clearfield; (ii) any electrical transformers, fluorescent light fixtures with ballasts or other equipment containing PCB's are or have been located on any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Clearfield; (iii) any underground storage tanks for the storage of gasoline, petroleum products or other toxic or hazardous substances are or have ever been located on any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Clearfield.

(d) Except as previously disclosed, there is no legal, administrative, arbitration or other proceeding, claim, action, or to the knowledge of Clearfield cause of action or governmental investigation of any nature seeking to impose, or that could result in the imposition, on Clearfield of any liability arising under any local, state or federal environmental statute, regulation or ordinance including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, pending or to the knowledge of Clearfield threatened against Clearfield; there is no reasonable basis for any such proceeding, claim, action or governmental investigation; and Clearfield is not subject to any agreement, order,

judgment, decree or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any such liability.

Section 3.24. Proxy Statement/Prospectus. At the time the Proxy Statement/Prospectus (as defined in Section 7.2(b) of this Agreement) is mailed to the shareholders of Clearfield, and at all times subsequent to the mailing, up to and including the Effective Date, the Proxy Statement/Prospectus (including any pre- and post-effective amendments and supplements thereto), with respect to all information relating to Clearfield, Clearfield Common Stock, and actions taken and statements made by Clearfield in connection with the transactions contemplated herein (except for information provided by Penn Laurel and CSB) will: (i) comply in all material respects with applicable provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the pertinent rules and regulations thereunder; and (ii) not contain any statement that, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or omits to state any material fact that is necessary to be stated therein in order (A) to make the statements therein not false or misleading, or (B) to correct any statement in an earlier communication with respect to the Proxy Statement/Prospectus that has become false or misleading.

Section 3.25. Non-Registration Under the Securities Exchange Act of 1934. Clearfield Common Stock is neither registered nor required to be registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not subject to the periodic reporting requirements imposed by Section 13 or 15(d) of the Exchange Act.

Section 3.26. Deposit Insurance. The deposits of Clearfield are insured by the Bank Insurance Fund, as administered by the Federal Deposit Insurance Corporation (the "FDIC") in accordance with the Federal Deposit Insurance Act, as amended (the "FDIA") and Clearfield has paid all assessments and filed all reports required by the FDIA.

Section 3.27. Repurchase Agreements. With respect to any agreement, pursuant to which Clearfield has purchased securities subject to an agreement to resell, if any, Clearfield has a valid, perfected first lien or security interest in the government securities or other collateral securing the repurchase agreement, and the value of the collateral equals or exceeds the amount of the debt secured thereby.

Section 3.28. Assumability of Contracts and Leases. Except as previously disclosed, all Material Contracts between Clearfield and any other entity or person are assumable and assignable and do not contain any term or provision that would accelerate or increase payments that would otherwise be due by Clearfield to the person or entity, or change or modify the provisions or terms of the leases, contracts and agreements by reason of this Agreement or the transactions contemplated hereby. Except as previously disclosed, each lease pursuant to which Clearfield, as lessee, leases real or personal property is valid and in effect in accordance with its respective terms, and there is not, under any of the leases, on the part of the lessee any material existing default or any event that, with notice or lapse of time, or both, would constitute a default, other than defaults that would not individually or in the aggregate have a material adverse effect on the financial condition, business, prospects, or operating results of Clearfield.

12/31/98

Section 3.29. Loans. Except as previously disclosed, each loan reflected as an asset on Clearfield's financial statements as of September 30, 1998, or acquired since that date, is the legal, valid and binding obligation of the obligor named therein, enforceable in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors' rights and to general equity principles. All loans, and the collateral and other security therefor, and the documentation for the same, meet the requirements, rules, regulations or directives of the FDIC, or other applicable governmental authorities.

Section 3.30. Adjustable Rate Mortgages. Clearfield has made all interest rate adjustments to any mortgage loan according to the terms of said mortgage loan and has complied and is in compliance in all material respects with all federal, state and other applicable laws, rules and regulations, including orders, writs, decrees, injunctions and other requirements of any court or governmental authorities having jurisdiction over adjustable rate mortgages.

Section 3.31. CRA Compliance. Clearfield has received a satisfactory compliance rating and has received a satisfactory Community Reinvestment Act rating. Clearfield has no knowledge of any facts or circumstances that would prevent it from receiving satisfactory ratings upon its next appropriate examination.

Section 3.32. Loan Loss Reserve. The loan loss reserve of Clearfield is and shall remain adequate in light of generally accepted accounting principles, directives of governmental authorities, and all regulations, rules and directives of the Banking Department of the Commonwealth of Pennsylvania (the "Banking Department") and the FDIC. No regulatory authority requested Clearfield to increase the allowance for loan losses during 1998, 1997 or 1996.

Section 3.33. Trust Department and Fiduciary Relationships. Clearfield has established, maintained and administered all fiduciary and custodian relationships, accounts and agreements; and undertaken and performed all fiduciary and custodian duties, obligations, and responsibilities in compliance with all applicable laws, statutes, rules, regulations and the governing instruments of the fiduciary and custodian relationships.

Section 3.34. Member Federal Reserve System. Clearfield is not a member of the Federal Reserve System.

Section 3.35. Year 2000 Compliance. Clearfield is in compliance with all requirements announced or promulgated by the Clearfield Regulatory Agencies and by the Federal Financial Institutions Examination Council in connection with Year 2000 preparedness and compliance.

Section 3.36. Accuracy of Representations. Clearfield will promptly notify Penn Laurel if any of the representations contained in this Article III cease to be true and correct subsequent to the date hereof. Further, no representations made by Clearfield pursuant to this Agreement contain any untrue statement of material fact or omit to state a material fact necessary to make the statements not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PENN LAUREL

Penn Laurel represents and warrants to Clearfield, as of this date, as follows:

Section 4.1. Authority. Penn Laurel has all requisite corporate power and authority to enter into and perform all of its obligations under this Agreement and the Bank Merger Agreement. The execution and delivery of this Agreement and the Bank Merger Agreement and the consummation of the transactions contemplated herein and therein have been duly and validly authorized by the Board of Directors of Penn Laurel, and no other corporate action on the part of Penn Laurel, except approval by the shareholders of Penn Laurel, is necessary to authorize this Agreement and the Bank Merger Agreement or the consummation of the transactions contemplated herein and therein. This Agreement and the Bank Merger Agreement have been duly executed and delivered by Penn Laurel and, assuming due authorization, execution and delivery by Clearfield, and receipt of all required regulatory and shareholder approvals, constitutes a valid and binding obligation of Penn Laurel. Assuming regulatory and shareholder approval, the execution, delivery and consummation of this Agreement will not constitute a violation or breach of or default under the Articles of Incorporation or the Bylaws of Penn Laurel or any statute, rule, regulation, order, decree, directive, agreement, indenture or other instrument to which Penn Laurel is a party or by which Penn Laurel or any of its properties are bound.

Section 4.2. Organization and Standing. Penn Laurel is a business corporation that is duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. Penn Laurel is a registered bank holding company under the Bank Holding Company Act of 1956, as amended, and has full power and lawful authority to own and hold its properties and to carry on its present business. Penn Laurel owns all of the issued and outstanding shares of capital stock of CSB. CSB is a Pennsylvania chartered banking institution validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and is duly authorized to engage in the banking business as an insured bank under the FDIA.

Section 4.3. Subsidiaries. Except for CSB and CSB Financial Services, Inc., except as previously disclosed, Penn Laurel owns no subsidiaries, directly or indirectly.

Section 4.4. Capitalization. The authorized capital stock of Penn Laurel consists of 2,500,000 shares of Penn Laurel Common Stock, par value \$5.00 per share, of which, at September 30, 1998, 346,587 shares were issued and outstanding. All outstanding shares of Penn Laurel Common Stock have been duly authorized and are validly issued, fully paid and nonassessable. The shares of Penn Laurel Common Stock to be issued in connection with the Merger have been duly authorized and, when issued in accordance with the terms of this Agreement and the Bank Merger Agreement, will be validly issued, fully paid and nonassessable. Other than 9,000 options to purchase shares of its Common Stock and its K-SOP Plan, Penn Laurel has no other outstanding options, agreements, convertible securities, warrants or other rights to purchase its stock.

12/31/98

Section 4.5. Articles of Incorporation, Bylaws and Minute Books. The copies of the Articles of Incorporation and Bylaws of Penn Laurel and CSB that have been delivered to Clearfield are true, correct and complete. Except as previously disclosed, all minute books of Penn Laurel and CSB have been made available to Clearfield for inspection and are true, correct and complete in all material respects and record the actions taken by the Board of Directors of Penn Laurel and CSB at the meetings documented in the minutes.

Section 4.6. Consents. Except for the consents, approvals, filings and registrations contemplated by Sections 8.1(a) and (c) hereof, and compliance with any conditions contained therein, and the approval of this Agreement and the Bank Merger Agreement by the Board of Directors and shareholders of Penn Laurel and the shareholder of CSB, no consents or approvals of, or filings or registrations with, any public body or authority are necessary, and no consents or approvals of any third parties are necessary, or will be, in connection with the execution and delivery of this Agreement or the Bank Merger Agreement by Penn Laurel and CSB, and the consummation by Penn Laurel and CSB of the transactions contemplated hereby. Penn Laurel and CSB have no reason to believe that any required consents or approvals will not be received or will be received with conditions, limitations or restrictions unacceptable to it or that would adversely impact Penn Laurel's or CSB's ability to consummate the transactions contemplated by this Agreement.

Section 4.7. Financial Statements and Regulatory Reports. Penn Laurel has delivered to Clearfield its: (i) Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Shareholders' Equity, and Consolidated Statements of Cash Flows as of and for the years ended December 31, 1997 and December 31, 1996, certified by Walter Hopkins and Company, Public Accountants, of Clearfield, Pennsylvania, Penn Laurel's independent auditors, and set forth in the Annual Report to the shareholders of Penn Laurel for the year ended on December 31, 1997 (the "Penn Laurel Financial Statements"); and (ii) Call Reports, Consolidated Reports of Condition and Income (the foregoing Consolidated Statement of Condition being hereinafter referred to as the "Penn Laurel Balance Sheet"). Each of the foregoing financial statements fairly presents the consolidated financial position, assets, liabilities and results of operations of Penn Laurel at their respective dates and for the respective periods then ended and has been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted in a footnote thereto and subject, in the case of the interim financial statements contained in the aforesaid Penn Laurel Regulatory Reports, to normal recurring year-end adjustments, that are not material in any case or in the aggregate. The books and records of Penn Laurel and CSB are maintained in accordance with generally accepted accounting principles consistently applied. The Penn Laurel Regulatory Reports have been, or will be, prepared in accordance with applicable regulatory accounting principles and practices applied on a consistent basis throughout the periods covered by the statements, and fairly present, or will fairly present, the financial position, results of operations and changes in shareholders' equity of Penn Laurel or CSB, as the case may be, as of and for the periods ended on the dates thereof, in accordance with applicable regulatory accounting principles applied on a consistent basis.

Section 4.8. Absence of Undisclosed Liabilities. Except as previously disclosed, or as reflected, noted or adequately reserved against in the Penn Laurel Balance Sheet, at September 30, 1998, Penn Laurel had no material liabilities (whether accrued, absolute, contingent or otherwise) that are required to be reflected, noted or reserved against therein under generally accepted accounting principles or which are in any case or in the aggregate material. Except as previously disclosed, since September 30, 1998, Penn Laurel has not incurred any such liability other than liabilities of the same nature as those set forth in the Penn Laurel Balance Sheet, all of which have been reasonably incurred in the Ordinary Course of Business.

Section 4.9. Absence of Changes. Since September 30, 1998, Penn Laurel and CSB have conducted their business in the Ordinary Course of Business and, except as previously disclosed, Penn Laurel and CSB have not undergone any change in condition (financial or otherwise), assets, liabilities, business or operations, other than changes in the Ordinary Course of Business that have not been, either in any case or in the aggregate, materially adverse.

Section 4.10. Dividends, Distributions and Stock Purchases. Except as previously disclosed, since September 30, 1998, Penn Laurel has not declared, set aside, made or paid any dividend or other distribution in respect of the Penn Laurel Common Stock, or purchased, issued or sold any shares of Penn Laurel Common Stock.

Section 4.11. Taxes. Penn Laurel has filed all federal, state, county, municipal and foreign tax returns, reports and declarations that are required to be filed by Penn Laurel. Except as previously disclosed, (i) Penn Laurel has paid all taxes, penalties and interest that have become due pursuant thereto or that became due pursuant to assessments, and (ii) Penn Laurel has not received any notice of deficiency or assessment of additional taxes and no tax audits are in process. The IRS has not, to the knowledge of Penn Laurel, commenced, or given notice of its intention to commence any examination or audit of the federal income tax returns of Penn Laurel for any year through and including the year ended December 31, 1997. Penn Laurel has not granted any waiver of any statute of limitations or otherwise agreed to any extension of a period for the assessment of any federal, state, county, municipal or foreign income tax. Except as previously disclosed, the accruals and reserves reflected in the Penn Laurel Balance Sheet are adequate to cover all taxes (including interest and penalties, if any, thereon) payable or accrued as a result of its operations for all periods prior to the date of the Penn Laurel Balance Sheet.

Section 4.12. Title to and Condition of Assets. Penn Laurel has good and marketable title to all real and personal properties and assets reflected in the Penn Laurel Balance Sheet or acquired subsequent to September 30, 1998 (other than property and assets disposed of in the Ordinary Course of Business), free and clear of all liens or encumbrances of any kind whatsoever other than: (i) as reflected in the Penn Laurel Balance Sheet; (ii) liens of current taxes not yet due; and (iii) imperfections of title, encumbrances and easements, if any, that are not substantial in character, amount or extent and do not materially detract from the value, or interfere with the present or proposed use, of the properties and assets subject thereto. The structures and other improvements to real estate, furniture, fixtures and equipment reflected in the Penn Laurel Balance Sheet or acquired subsequent to September 30, 1998, are in good operating condition and repair (ordinary wear and

12/31/98

tear excepted) and comply in all material respects with all applicable laws, ordinances and regulations, including without limitation all building codes, zoning ordinances and other similar laws. Penn Laurel and CSB own or have the right to use all real and personal properties and assets necessary to the conduct of their business as now conducted.

Section 4.13. Contracts. All contracts, agreements, leases, licenses and other commitments are valid and in full force and effect, and all parties thereto have in all material respects performed all obligations required to be performed by them to date and are not in default in any material respect.

Except as previously disclosed, neither Penn Laurel nor CSB is a party to or subject to (i) any employment, consulting or severance contract or arrangement with any past or present officer, director or employee, except for "at will" arrangements (ii) any plan, arrangement or contract providing for bonuses, options, deferred compensation, profit sharing or similar arrangements for or with any past or present officers, directors or employees of Penn Laurel or CSB; (iii) any collective bargaining agreement with any labor union relating to employees of Penn Laurel or CSB; (iv) any agreement that by its terms limits the payment of dividends by Penn Laurel or CSB; (v) any instrument evidencing or related to indebtedness for borrowed money in excess of \$20,000, whether directly or indirectly, by way of purchase money obligation, conditional sale, lease purchase, guaranty or otherwise, in respect of which Penn Laurel or CSB is an obligor to any person, which instrument evidences or relates to indebtedness other than deposits, repurchase agreements, bankers acceptances and "treasury tax and loan" accounts established in the Ordinary Course of Business and transactions in federal funds or that contains financial covenants or other restrictions (other than those relating to the payment of principal and interest when due) that would be applicable on or after the Effective Date to Penn Laurel or any Penn Laurel subsidiary; (vi) any contract (other than this Agreement) limiting the freedom of Penn Laurel or CSB to engage in any type of banking or banking-related business permissible under law; or (vii) any contract, plan or arrangement that provides for payments or benefits in certain circumstances that, together with other payments or benefits payable to any participant therein or party thereto, might render any portion of any payments or benefits subject to disallowance of deduction therefor as a result of the application of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code").

No party to any material contract, plan, arrangement or instrument that requires annual payments in excess of \$10,000 will have the right to terminate any or all of the provisions of any contract, plan, arrangement or instrument as a result of the transactions contemplated by this Agreement, and except as previously disclosed, none of the employees of Penn Laurel or CSB possess the right to terminate their employment as a result of the execution of this Agreement. No plan, employment agreement, termination agreement, or similar agreement or arrangement to which Penn Laurel or CSB is a party or under which Penn Laurel or CSB may be liable contains provisions that permit an employee or independent contractor to terminate it without cause and continue to accrue future benefits thereunder. Except as previously disclosed, no agreement, plan or arrangement provides for acceleration in the vesting of benefits or payments due thereunder upon the occurrence of a change in ownership or control of Penn Laurel or CSB absent the occurrence of a subsequent event; provides for benefits that may cause the disallowance of a federal income tax

12/31/98

deduction under Section 280G of the Code; or requires Penn Laurel or CSB to provide a benefit in the form of Penn Laurel Common Stock or determined by reference to the value of Penn Laurel Common Stock.

Section 4.14. Litigation and Governmental Directives. Except as previously disclosed, there is no litigation, investigation or proceeding pending, or to the knowledge of Penn Laurel threatened, that involves Penn Laurel or CSB or their properties and that, if determined adversely, would materially and adversely affect the condition (financial or otherwise), assets, liabilities, business, operations or future prospects of Penn Laurel or CSB; there are no outstanding orders, writs, injunctions, judgments, decrees, regulations, directives, consent agreements or memoranda of understanding issued by any federal, state or local court or governmental authority or arbitration tribunal issued against or with the consent of Penn Laurel or CSB that materially and adversely affect the condition (financial or otherwise), assets, liabilities, business, operations or future prospects of Penn Laurel or CSB or that in any manner restrict Penn Laurel's or CSB's right to conduct its business as presently conducted, or challenge the validity or propriety of any of the transactions contemplated by the Agreement, or that could adversely affect the ability of Penn Laurel or CSB to perform under this Agreement; and Penn Laurel is not aware of any fact or condition presently existing that might give rise to any litigation, investigation or proceeding that, if determined adversely to Penn Laurel or CSB, would materially and adversely affect the condition (financial or otherwise), assets, liabilities, business, operations or future prospects of Penn Laurel or CSB.

Section 4.15. Compliance with Laws; Governmental Authorizations. Penn Laurel and CSB are in compliance with all statutes, laws, ordinances, rules, regulations, judgments, orders, decrees, directives, consent agreements, memoranda of understanding, permits, concessions, grants, franchises, licenses, and other governmental authorizations or approvals applicable to Penn Laurel or CSB or to any of their properties; all permits, concessions, grants, franchises, licenses and other governmental authorizations and approvals necessary for the conduct of the business of Penn Laurel and of CSB, as presently conducted, have been duly obtained and are in full force and effect, and there are no proceedings pending, or to the knowledge of Penn Laurel threatened, that may result in the revocation, cancellation, suspension or materially adverse modification of any thereof; and Penn Laurel has not received any notification or communication from any regulatory authority (A) asserting that Penn Laurel or CSB is not in substantial compliance with any of the statutes, regulations or ordinances that the regulatory authorities enforce; (B) requiring or threatening to require Penn Laurel or CSB, or indicating that Penn Laurel or CSB may be required, to enter into a cease and desist order, agreement or memorandum of understanding or any other agreement restricting or limiting, or purporting to restrict or limit, in any manner the operations of Penn Laurel or CSB, including without limitation, any restriction on the payment of dividends (any notice, communication, memorandum, agreement or order described herein is referred to as a "Regulatory Agreement"); (C) threatening to revoke any license, franchise, permit or governmental authorization that is material to Penn Laurel or CSB; (D) requiring Penn Laurel to enter into any Regulatory Agreement or; (E) requesting board resolutions be adopted pursuant to regulatory action.

Section 4.16. Insurance. All policies of insurance, including all policies of title insurance and financial institutions bonds, held by or on behalf of Penn Laurel or CSB are in full force and

12/31/98

effect and no notices of cancellation have been received in connection therewith. All the policies of insurance have been issued by reputable insurers and, in respect of amounts, types and risks, the insurance is customary with industry practices for the business conducted by Penn Laurel or CSB, as the case may be.

Section 4.17. Labor Relations. Neither Penn Laurel nor CSB is a party to or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is Penn Laurel or CSB the subject of a proceeding asserting that Penn Laurel or CSB has committed an unfair labor practice or seeking to compel Penn Laurel or CSB to bargain with any labor organization as to wages and conditions of employment, nor is there any strike or other labor dispute involving Penn Laurel or CSB pending, or to the knowledge of Penn Laurel or CSB, threatened, that might materially adversely affect the condition (financial or otherwise), assets, liabilities, business or operations of Penn Laurel or CSB, as the case may be. Neither Penn Laurel nor CSB is subject to or a party in any Complaint or action before the Pennsylvania Human Relations Commission, the Equal Employment Opportunity Commission, or the Department of Labor. There are no labor disputes pending, or to the knowledge of Penn Laurel threatened, that might materially and adversely affect the condition (financial or otherwise), assets, liabilities, business or operations of Penn Laurel or CSB.

Section 4.18. Employee Benefit Plans. Each "employee benefit plan", as defined in Section 3(3) of ERISA, that now covers any employee of Penn Laurel or CSB, its predecessors or affiliates, complies in all material respects with all applicable requirements of ERISA, the Code and other applicable laws. Neither Penn Laurel nor any of its predecessors or affiliates has engaged in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) or any breach of fiduciary responsibility under Part 4 of Title I of ERISA, with respect to which a prohibited transaction is likely to result in any material penalties or taxes under Section 502 of ERISA or Section 4975 of the Code, or any material liability to any participant or beneficiary of the plan. No material liability to the Pension Benefit Guaranty Corporation has been or is expected to be incurred by Penn Laurel with respect to itself or its predecessors or affiliates with respect to any plan that is subject to Title IV of ERISA, or with respect to any "single employer plan" (as defined in Section 4001(a)(15) of ERISA) currently or formerly maintained. No plan had an "accumulated funding deficiency" (as defined in Section 302 of ERISA) (whether or not waived) as of the last day of the end of the most recent plan year ending prior to the date hereof. The fair market value of the assets of each plan exceeds the present value of the "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA) under each plan as of the end of the most recent plan year, calculated on the basis of the actuarial assumptions used in the most recent actuarial valuation for each plan. No notice of a "reportable event" (as defined in Section 4043 of ERISA) for which the 30-day reporting requirement has not been waived has been required to be filed for any of the plans within the 12-month period ending on the date hereof. Neither Penn Laurel, its predecessors nor affiliates has provided, or is required to provide, security to any plans pursuant to Section 401(a)(29) of the Code. Penn Laurel, its predecessors and affiliates have contributed to no "multi-employer plan", as defined in Section 3(37) of ERISA, on or after September 26, 1980. All actuarial valuations and other documents and information concerning benefit plans delivered or made available in connection with this Agreement are true and correct as of the date(s) shown thereon, and all actuarial methods and

12/31/98

assumptions are appropriate for the plans, and are consistent with the methods and assumptions permitted by the Code and ERISA. All the plans are funded to the extent that the assets of each plan would then be sufficient to pay all vested accrued benefits thereunder, and there would be no employer liability under Title IV of ERISA. Since 1990, there has been no audit of any benefit plan of Penn Laurel or of CSB by the Department of Labor, the IRS or the PBGC. There has not been any audit of the Pension Plan or any of Penn Laurel's or CSB's other employee benefit plans by the Department of Labor, the IRS or the PBGC since 1988. Except as previously disclosed, Penn Laurel, its predecessors and affiliates, have no obligation for retiree health and life benefits under any benefit plan, contract, or arrangement. Penn Laurel and CSB have no obligation for any post-retirement benefits under any plan, contract or arrangement except as previously disclosed.

Section 4.19. Related Party Transactions. Except as previously disclosed, Penn Laurel and CSB have no contract, extension of credit, business arrangement or other relationship of any kind with any of the following persons: (i) any present or former officer or director of Penn Laurel or CSB; (ii) any shareholder owning five percent or more of the outstanding Penn Laurel Common Stock; and (iii) any "associate" (as defined in Rule 405 promulgated by the Commission of the foregoing persons or any business in which any of the foregoing persons is an officer, director, employee or five percent or greater equity owner. Each extension of credit previously disclosed has been made in the Ordinary Course of Business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable arms' length transactions with other persons that do not involve more than a normal risk of collectibility or present other unfavorable features.

Section 4.20. Complete and Accurate Disclosure. Neither this Agreement (insofar as it relates to Penn Laurel, CSB, Penn Laurel Common Stock and Penn Laurel's and CSB's involvement in the transactions contemplated hereby) nor any financial statement, schedule, certificate, or other statement or document delivered by Penn Laurel or CSB to Clearfield in connection herewith contains any statement that, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact or omits to state any material fact necessary to make the statements contained herein or therein not false or misleading. In particular, without limiting the generality of the foregoing sentence, the information provided and the representations made by Penn Laurel or CSB to Clearfield in connection with the Registration Statement (as defined in Section 7.2b) of this Agreement), both at the time the information and representations are provided and made and at the Effective Date, will be true and accurate in all material respects and will not contain any false or misleading statement with respect to any material fact or omit to state any material fact necessary (i) to make the statements made therein not false or misleading, or (ii) to correct any statement contained in an earlier communication with respect to the information or representations that has become false or misleading.

Section 4.21. Beneficial Ownership of Clearfield Common Stock. Prior to the Effective Date, Penn Laurel, CSB and their officers and directors will not beneficially own, in the aggregate, (within the meaning of Commission Rule 13d-3(d)(1)) more than five percent of the outstanding shares of Clearfield Common Stock.

12/31/98

Section 4.22. Environmental Matters. Except as previously disclosed:

- (a) Penn Laurel and CSB have not been and are not in violation of or liable under any Environmental Law.
- (b) To the knowledge of Penn Laurel,, none of the Loan Portfolio Properties and Other Properties Owned have been or are in violation of or liable under any Environmental Law.
- (c) Penn Laurel has no knowledge that any environmental contaminant, pollutant, toxic or hazardous waste or other similar substance has been generated, used, stored, processed, disposed of or discharged onto any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Penn Laurel, except as previously disclosed. In particular, without limiting the generality of the foregoing sentence, except as previously disclosed, Penn Laurel has no knowledge that: (i) any materials containing asbestos have been used or incorporated in any building or other structure or improvement located on any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Penn Laurel or CSB; (ii) any electrical transformers, fluorescent light fixtures with ballasts or other equipment containing PCB's are or have been located on any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Penn Laurel or CSB; (iii) any underground storage tanks for the storage of gasoline, petroleum products or other toxic or hazardous substances are or have ever been located on any of the real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure or exercise of any other creditor's right) or leased by Penn Laurel or CSB.
- (d) Except as previously disclosed, there is no legal, administrative, arbitration or other proceeding, claim, action, or to the knowledge of Penn Laurel cause of action or governmental investigation of any nature seeking to impose, or that could result in the imposition, on Penn Laurel or CSB of any liability arising under any local, state or federal environmental statute, regulation or ordinance including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, pending or to the knowledge of Penn Laurel threatened against Penn Laurel or CSB; there is no reasonable basis for any such proceeding, claim, action or governmental investigation; and neither Penn Laurel nor CSB is subject to any agreement, order, judgment, decree or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any such liability.

12/31/98

Section 4.23. Proxy Statement/Prospectus. At the time the Proxy Statement/Prospectus (as defined in Section 7.2b) of this Agreement) is mailed to the shareholders of Clearfield, and at all times subsequent to the mailing, up to and including the Effective Date, the Proxy Statement/Prospectus (including any pre- and post-effective amendments and supplements thereto), (other than information provided by Clearfield), will: (i) comply in all material respects with applicable provisions of the Securities Act and the Exchange Act and the pertinent rules and regulations thereunder; and (ii) not contain any statement that, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or omits to state any material fact that is necessary to be stated therein in order (A) to make the statements therein not false or misleading, or (B) to correct any statement in an earlier communication with respect to the Proxy Statement/Prospectus that has become false or misleading.

Section 4.24. Non-Registration Under the Securities Exchange Act of 1934. Penn Laurel Common Stock is neither registered nor required to be registered under Section 12 of the Exchange Act and is not subject to the periodic reporting requirements imposed by Section 13 or 15(d) of the Exchange Act.

Section 4.25. Repurchase Agreements. With respect to any agreement, pursuant to which Penn Laurel or CSB has purchased securities subject to an agreement to resell, if any, Penn Laurel or CSB, as the case may be, has a valid, perfected first lien or security interest in the government securities or other collateral securing the repurchase agreement, and the value of the collateral equals or exceeds the amount of the debt secured thereby.

Section 4.26. Assumability of Contracts and Leases. Except as previously disclosed, all Material Contracts between Penn Laurel or CSB, as the case may be, and any other entity or person do not contain any term or provision that would accelerate or increase payments that would otherwise be due by Penn Laurel or CSB to the person or entity, or change or modify the provisions or terms of the leases, contracts and agreements by reason of this Agreement or the transactions contemplated hereby. Except as previously disclosed, each lease pursuant to which Penn Laurel or CSB, as lessee, leases real or personal property is valid and in effect in accordance with its respective terms, and there is not, under any of the leases, on the part of the lessee any material existing default or any event that, with notice or lapse of time, or both, would constitute a default, other than defaults that would not individually or in the aggregate have a material adverse effect on the financial condition, business, prospects, or operating results of Penn Laurel or CSB.

Section 4.27. Accuracy of Representations. Penn Laurel will promptly notify Clearfield if any of the representations contained in this Article IV cease to be true and correct subsequent to the date hereof. Further, no representations made by Penn Laurel pursuant to this Agreement contain any untrue statement of material fact or omit to state a material fact necessary to make the statements not misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF CSB

CSB represents and warrants to Clearfield, as this date, as follows:

Section 5.1. Capital Structure of CSB. CSB is authorized to issue 150,000 shares of capital stock, par value \$5.00 per share, of which 120,000 shares are outstanding and held by Penn Laurel.

Section 5.2. Organization and Standing. CSB is a Pennsylvania chartered banking institution that is duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. CSB has full power and lawful authority to own and hold its properties and to carry on its present business.

Section 5.3. Authorized and Effective Agreement. The execution, delivery and performance of this Agreement and the Bank Merger Agreement have been duly and validly authorized by the Board of Directors of CSB. Subject to appropriate shareholder and regulatory approvals, neither the execution and delivery of this Agreement or the Bank Merger Agreement nor the consummation of the transactions provided for herein or therein will violate any agreement to which CSB is a party or by which it is bound or any law, regulation, order, decree or any provision of its Articles of Incorporation or By-laws.

Section 5.4. Financial Institutions Bonds. Since January 1, 1991, CSB has continuously maintained in full force and effect a financial institutions bond insuring CSB against acts of dishonesty by each of its employees. Except as previously disclosed, no claim has been made under any bond, and CSB is not aware of any fact or condition presently existing that might form the basis of a claim under any bond. CSB has no reason to believe that its present financial institutions bond will not be renewed by its carrier on substantially the same terms and at the same rate as now in effect.

Section 5.5. Deposit Insurance. The deposits of CSB are insured by the Bank Insurance Fund, as administered by the FDIC in accordance with the FDIA and CSB has paid all assessments and filed all reports required by the FDIA.

Section 5.6. Loans. Except as previously disclosed, each loan reflected as an asset on CSB's financial statements as of September 30, 1998, or acquired since that date, is the legal, valid and binding obligation of the obligor named therein, enforceable in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors' rights and to general equity principles. All loans, and the collateral and other security therefor, and the documentation for the same, meet the requirements, rules, regulations or directives of the FDIC, or other applicable governmental authorities.

12/31/98

Section 5.7. Adjustable Rate Mortgages. CSB has made all interest rate adjustments to any mortgage loan according to the terms of said mortgage loan and has complied and is in compliance in all material respects with all federal, state and other applicable laws, rules and regulations, including orders, writs, decrees, injunctions and other requirements of any court or governmental authorities having jurisdiction over adjustable rate mortgages.

Section 5.8. CRA Compliance. CSB has received a satisfactory compliance rating and has received a satisfactory Community Reinvestment Act rating. CSB has no knowledge of any facts or circumstances that would prevent it from receiving satisfactory ratings upon its next appropriate examination.

Section 5.9. Loan Loss Reserve. The loan loss reserve of CSB is and shall remain adequate in light of generally accepted accounting principles, directives of governmental authorities, and all regulations, rules and directives of the Banking Department and the FDIC. No regulatory authority requested CSB to increase the allowance for loan losses during 1998, 1997, 1996 or 1995.

Section 5.10. Member Federal Reserve System. CSB is not a member of the Federal Reserve System.

Section 5.11. Year 2000 Compliance. CSB is in compliance with all requirements announced or promulgated by the CSB Regulatory Agencies and by the Federal Financial Institutions Examination Council in connection with Year 2000 preparedness and compliance.

Section 5.12. Accuracy of Representations. CSB will promptly notify Clearfield if any of the representations contained in this Article V cease to be true and correct subsequent to the date hereof. Further, no representations made by CSB pursuant to this Agreement contain any untrue statement of material fact or omit to state a material fact necessary to make the statements not misleading.

ARTICLE VI

COVENANTS OF CLEARFIELD

From the date of this Agreement until the Effective Date (as defined in Section 11.2 of this Agreement), Clearfield covenants and agrees to do the following:

Section 6.1. Conduct of Business. Except as otherwise consented to by Penn Laurel and CSB in writing, Clearfield shall:

- (a) use all reasonable efforts to carry on its business in, and only in, the Ordinary Course of Business, consistent with past practices and written policies;

12/31/98

(b) to the extent consistent with prudent business judgment, use all reasonable efforts to preserve its present business organization, to retain the services of its present officers and employees, to maintain good relationships with its employees, and to maintain its relationships with customers, suppliers and others having business dealings with Clearfield;

(c) maintain all of Clearfield's structures, equipment and other real property and tangible personal property in good repair, order and condition, except for ordinary wear and tear and damage by unavoidable casualty;

(d) use all reasonable efforts to preserve or collect all material claims and causes of action belonging to Clearfield;

(e) keep in full force and effect all insurance policies now carried by Clearfield;

(f) perform in all material respects each of Clearfield's obligations under all material agreements, contracts, instruments and other commitments to which Clearfield is a party or by which Clearfield may be bound or that relate to or affect its properties, assets and business;

(g) maintain its books of account and other records in the Ordinary Course of Business;

(h) comply in all material respects with all statutes, laws, ordinances, rules and regulations, decrees, orders, consent agreements, examination reports, memoranda of understanding and other federal, state, county, local and municipal governmental directives applicable to Clearfield and to the conduct of its business;

(i) not amend Clearfield's Articles of Incorporation or Bylaws;

(j) except in the Ordinary Course of Business, not enter into or assume any material contract, incur any material liability or obligation, make any material commitment, acquire or dispose of any property or asset or engage in any transaction or subject any of Clearfield's properties or assets to any material lien, claim, charge, or encumbrance of any kind whatsoever;

(k) not take or permit to be taken any action that would constitute a breach of any representation, warranty or covenant set forth in this Agreement;

(l) not declare, set aside or pay any dividend or make any other distribution in respect of Clearfield Common Stock, except as provided in Section 6.9 of this Article VI;

12/31/98

- (m) not authorize, purchase, issue or sell (or authorize, issue or grant options, warrants or rights to purchase or sell) any shares of Clearfield Common Stock or any other equity or debt securities of Clearfield or any securities convertible into Clearfield Common Stock;
- (n) except in the Ordinary Course of Business and consistent with past practice, not increase the rate of compensation of, pay a bonus or severance compensation to, or enter into any employment, severance, deferred compensation or other agreement with any officer, director, employee or consultant of Clearfield;
- (o) not enter into any related party transaction of the kind contemplated in Section 3.20 of Article III of this Agreement except related party transactions relating to extensions of credit made in accordance with all applicable laws, regulations and rules and in the Ordinary Course of Business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable arms' length transactions with other persons that do not involve more than the normal risk of collectibility or present other unfavorable features and after disclosure of such to Penn Laurel;
- (p) not change the presently outstanding number of shares or declare or effect any capitalization, reclassification, stock dividend, stock split or like change in capitalization;
- (q) not enter into or substantially modify (except as may be required by applicable law) any pension, retirement, stock option, stock warrant, stock purchase, stock appreciation right, savings, profit sharing, deferred compensation, severance, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, or plan or arrangement, or any trust agreement related thereto, in respect to any of its directors, officers, or other employees;
- (r) not merge with or into, or consolidate with, or be purchased or acquired by, any other corporation, financial institution, entity, or person (or agree to any merger, consolidation, affiliation, purchase or acquisition) or permit (or agree to permit) any other corporation, financial institution, entity or person to be merged with it or consolidate or affiliate with any other corporation, financial institution, entity or person; acquire control over any other firm, financial institution, corporation or organization or create any subsidiary; acquire, liquidate, sell or dispose (or agree to acquire, liquidate, sell or dispose) of any assets, other than in the Ordinary Course of Business and consistent with prior practice;
- (s) not solicit or encourage inquiries or proposals with respect to, furnish any information relating to, or participate in any negotiations or discussions concerning any acquisition or purchase of all or a substantial equity interest or portion of the assets in or of Clearfield or any business combination with Clearfield, other than as contemplated by this Agreement, or authorize or permit any officer, director, agent or affiliate of it to do any of the above; or fail to notify Penn Laurel immediately if any inquiries or proposals are received

12/31/98

by, any information is requested from, or any negotiations are sought to be initiated with Clearfield;

(t) not change any method, practice or principle of accounting except as may be required by generally accepted accounting principles or any applicable regulator;

(u) not make any loan or other credit facility commitment in excess of \$400,000 (including without limitation, lines of credit and letters of credit) to any affiliate as defined in Regulation O or compromise, expand, or modify any such commitment outstanding;

(v) not enter into any swap or similar commitment, agreement or arrangement which is not consistent with past practice and which increases the credit or interest rate risk over the levels existing at September 30, 1998;

(w) not enter into any derivative, cap or floor or similar commitment, agreement or arrangement, except in the ordinary course of business and consistent with past practices;

(x) take any action that would result in any of the representations and warranties of Clearfield set forth in this Agreement becoming untrue as of any date after the date hereof;

(y) not sell, exchange or otherwise dispose of any investment securities or loans that are held for sale, prior to scheduled maturity and other than pursuant to policies agreed upon from time to time by the parties;

(z) not purchase any security for its investment portfolio not rated "A" or higher by either Standard & Poor's Corporation or Moody's Investor Services, Inc.;

(aa) not waive, release, grant or transfer any rights of value or modify or change, in any material respect, any existing agreement to which Clearfield is a party, other than in the ordinary course of business consistent with past practice;

(bb) not knowingly take any action that would, under any statute, regulation or administrative practice of any regulatory agency, materially or adversely affect the ability of any party to this Agreement to obtain any required approvals for consummation of the transactions contemplated by this Agreement; and

(cc) not agree to any of the foregoing items (a) through (bb).

Section 6.2. Best Efforts. Clearfield shall cooperate with Penn Laurel and CSB and shall use its best efforts to do or cause to be done all things necessary or appropriate on its part in order to fulfill the conditions precedent set forth in Article VIII of this Agreement and to consummate this Agreement. In particular, without limiting the generality of the foregoing sentence, Clearfield shall:

12/31/98

- (a) cooperate with Penn Laurel and CSB in the preparation of all required applications for regulatory approval of the transactions contemplated by this Agreement and in the preparation of the Registration Statement (as defined in Section 7.1(b) of this Agreement);
- (b) call a special or annual meeting of its shareholders and take, in good faith, all actions that are necessary or appropriate on its part in order to secure the approval and adoption of this Agreement and the Bank Merger Agreement by its shareholders at the meeting, including recommending the approval of this Agreement and the Bank Merger Agreement by the shareholders of Clearfield;
- (c) cooperate with Penn Laurel and CSB in making Clearfield's employees reasonably available for training prior to the Effective Date, to the extent that training is deemed reasonably necessary;
- (d) make additions to loan loss reserves and make loan write-offs, write-downs and other adjustments that reasonably should be made by Clearfield in light of generally accepted accounting principles, directives of governmental authorities, and all regulations, rules and directives of the FDIC, Department of Banking, and Board of Governors of the Federal Reserve System (the "FRB"), prior to the closing of Clearfield's books of account for its fiscal year ending December 31, 1998, and for the period from that date until the Effective Date;
- (e) suspend any dividend reinvestment and/or stock repurchase plan, as soon as practicable;
- (f) modify the Articles of Incorporation or Bylaws or any other documents of Clearfield as reasonably necessary to effectuate the transactions contemplated hereby; and
- (g) use its best efforts to assure that the directors of Clearfield shall have executed and delivered the Support Agreement in the form attached hereto as Exhibit B.

Section 6.3. Access to Properties and Records. Clearfield shall give to Penn Laurel, CSB and their authorized representatives (including, without limitation, their counsel, accountants, economic and environmental consultants and other designated representatives) reasonable access during normal business hours to all properties, books, contracts, documents and records of Clearfield as Penn Laurel or CSB may reasonably request, subject to the obligation of Penn Laurel, CSB and their authorized representatives to maintain the confidentiality of all non-public information concerning Clearfield obtained by reason of such access.

Section 6.4. Subsequent Financial Statements. Between the date of execution of this Agreement and the Effective Date, Clearfield shall promptly prepare and deliver to Penn Laurel and CSB, as soon as practicable, all internal monthly and quarterly financial statements, reports to shareholders and reports to regulatory authorities prepared by or for Clearfield, including all audit

12/31/98

reports submitted to Clearfield by independent auditors in connection with each annual, interim or special audit of the books of Clearfield made by the accountants. In particular, without limiting the generality of the foregoing sentence, Clearfield shall deliver to Penn Laurel and CSB, as soon as practicable, a balance sheet as of December 31, 1998, and a related statement of income for the twelve (12) months then ended (which financial statements are hereinafter referred to as the "December 31, 1998 Clearfield Financial Statements"). The representations and warranties set forth in Sections 3.7, 3.8 and 3.9 of this Agreement shall apply to the December 31, 1998, Clearfield Financial Statements.

Section 6.5. Board and Committee Minutes. Clearfield shall provide to Penn Laurel, within 10 days after any meeting of the Board of Directors, or any committee thereof, or any senior or executive management committee, a copy of the minutes of the meeting.

Section 6.6. Update Information. Clearfield shall promptly disclose to Penn Laurel and CSB, in writing, any change, addition, deletion or other modification to the information previously disclosed.

Section 6.7. Notice. Clearfield shall promptly notify Penn Laurel and CSB, in writing, of any actions, claims, investigations, proceedings or other developments that, if pending or in existence on the date of this Agreement, would have been required to be disclosed to Penn Laurel and CSB in order to ensure the accuracy of the representations and warranties set forth in this Agreement or that otherwise could materially and adversely affect the condition (financial or otherwise), assets, liabilities, business operations or future prospects of Clearfield.

Section 6.8. Other Proposals. Clearfield shall not, nor shall it permit any officer, director, employee, agent, consultant, counsel or other representative, to directly or indirectly solicit, encourage, initiate or engage in discussions or negotiations with, or respond to requests for information, inquiries or other communications from, any person, other than Penn Laurel, concerning the fact of, or the terms and conditions of, this Agreement, or concerning any transaction with Clearfield, or any assets or business thereof (except that Clearfield's officers may respond to inquiries from analysts, regulatory authorities and holders of Clearfield Common Stock in the Ordinary Course of Business); and Clearfield shall notify Penn Laurel immediately if any discussions or negotiations are sought to be initiated with Clearfield by any person other than Penn Laurel or if any requests for information, inquiries, proposals or communications are received from any person other than Penn Laurel.

Section 6.9. Dividends. Between the date of this Agreement and the Effective Date, Clearfield shall only declare and pay cash dividends as provided herein. Clearfield shall only pay regular quarterly cash dividends in amounts and on dates consistent with past practices.

Section 6.10. Core Deposits. Clearfield shall use commercially reasonable efforts to maintain deposits.

12/31/98

Section 6.11. Affiliate Letters. Clearfield shall deliver or cause to be delivered to Penn Laurel and CSB, at or before the Effective Date (as defined in Section 11.2 of this Agreement), a letter or agreement from each officer, director and shareholder of Clearfield who may be deemed to be an "affiliate" (as that term is defined for purposes of Commission Rules 145 and 405 under the Securities Act) of Clearfield, in form and substance satisfactory to Penn Laurel and CSB, under the terms of which each officer, director or shareholder, as the case may be, acknowledges and agrees to abide by all limitations imposed by the Securities Act and by all rules, regulations and releases promulgated thereunder with respect to the sale or other disposition of the shares of Penn Laurel Common Stock to be received by the person pursuant to the terms of this Agreement.

Section 6.12. No Purchases or Sales of Penn Laurel Common Stock During Price Determination Period. Neither Clearfield nor any executive officer or director of Clearfield nor any shareholder of Clearfield who may be deemed to be an "affiliate" (as that term is defined for purposes of Commission Rules 145 and 405 under the Securities Act) of Clearfield shall purchase or sell or submit a bid to purchase or an offer to sell, directly or indirectly, any shares of Penn Laurel Common Stock or any options, rights or other securities convertible into shares of Penn Laurel Common Stock within 20 business days of the Effective Date.

Section 6.13. Accounting Treatment. Clearfield acknowledges that the parties intend to treat the business combination contemplated by this Agreement as a "pooling of interests" for financial reporting purposes. Clearfield shall not take (and shall use its best efforts not to permit any of its directors, officers, employees, shareholders, agents, consultants or other representatives to take) any action that would preclude treating the business combination as a "pooling of interests" for financial reporting purposes.

Section 6.14. Press Releases. Clearfield shall not issue any press release related to this Agreement and the Bank Merger Agreement or the transactions contemplated hereby or thereby as to which Penn Laurel has not given its prior written consent, and shall consult with Penn Laurel as to the form and substance of other public disclosures related thereto.

Section 6.15. Phase I Environmental Audit. Clearfield shall permit, if Penn Laurel elects to do, at its own expense, a "phase I environmental audit" to be performed at any physical location owned or occupied by Clearfield on the date hereof.

ARTICLE VII

COVENANTS OF PENN LAUREL AND CSB

From the date of this Agreement until the Effective Date (as defined in Section 11.2 of this Agreement), Penn Laurel and CSB covenant and agree to do the following:

Section 7.1. Conduct of Business. Except as otherwise consented to by Clearfield in writing, Penn Laurel and CSB shall:

12/31/98

- (a) use all reasonable efforts to carry on their business in, and only in, the Ordinary Course of Business, consistent with past practices and written policies;
- (b) to the extent consistent with prudent business judgment, use all reasonable efforts to preserve their present business organizations, to retain the services of their present officers and employees, to maintain good relationships with their employees, and to maintain their relationships with customers, suppliers and others having business dealings with Penn Laurel or CSB, as the case may be;
- (c) maintain all of Penn Laurel's and CSB's structures, equipment and other real property and tangible personal property in good repair, order and condition, except for ordinary wear and tear and damage by unavoidable casualty;
- (d) use all reasonable efforts to preserve or collect all material claims and causes of action belonging to Penn Laurel or CSB, as the case may be;
- (e) keep in full force and effect all insurance policies now carried by Penn Laurel and CSB;
- (f) perform in all material respects each of Penn Laurel's and CSB's obligations under all material agreements, contracts, instruments and other commitments to which they are a party or by which they may be bound or that relate to or affect their properties, assets and business;
- (g) maintain their books of account and other records in the Ordinary Course of Business;
- (h) comply in all material respects with all statutes, laws, ordinances, rules and regulations, decrees, orders, consent agreements, examination reports, memoranda of understanding and other federal, state, county, local and municipal governmental directives applicable to Penn Laurel or CSB, as the case may be, and to the conduct of their business;
- (i) not amend their Articles of Incorporation or Bylaws;
- (j) except in the Ordinary Course of Business, not enter into or assume any material contract, incur any material liability or obligation, make any material commitment, acquire or dispose of any property or asset or engage in any transaction or subject any of Penn Laurel's or CSB's properties or assets to any material lien, claim, charge, or encumbrance of any kind whatsoever;
- (k) not take or permit to be taken any action that would constitute a breach of any representation, warranty or covenant set forth in this Agreement;

12/31/98

(l) not declare, set aside or pay any dividend or make any other distribution in respect of Penn Laurel Common Stock, except as provided in Section 7.9 of this Article VII;

(m) not authorize, purchase, issue or sell (or authorize, issue or grant options, warrants or rights to purchase or sell) any shares of Penn Laurel Common Stock or any other equity or debt securities of Penn Laurel or any securities convertible into Penn Laurel Common Stock, except pursuant to stock options previously issued or awarded prior to the date hereof;

(n) except in the Ordinary Course of Business and consistent with past practice, not increase the rate of compensation of, pay a bonus or severance compensation to, or enter into any employment, severance, deferred compensation or other agreement with any officer, director, employee or consultant of Penn Laurel or CSB;

(o) not enter into any related party transaction of the kind contemplated in Section 4.20 of Article IV of this Agreement except related party transactions relating to extensions of credit made in accordance with all applicable laws, regulations and rules and in the Ordinary Course of Business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable arms' length transactions with other persons that do not involve more than the normal risk of collectibility or present other unfavorable features and after disclosure of such to Clearfield;

(p) not change the presently outstanding number of shares or declare or effect any capitalization, reclassification, stock dividend, stock split or like change in capitalization, except pursuant to stock options previously issued or awarded prior to the date hereof;

(q) not enter into or substantially modify (except as may be required by applicable law) any pension, retirement, stock option, stock warrant, stock purchase, stock appreciation right, savings, profit sharing, deferred compensation, severance, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, or plan or arrangement, or any trust agreement related thereto, in respect to any of their directors, officers, or other employees;

(r) not merge with or into, or consolidate with, or be purchased or acquired by, any other corporation, financial institution, entity, or person (or agree to any merger, consolidation, affiliation, purchase or acquisition) or permit (or agree to permit) any other corporation, financial institution, entity or person to be merged with it or consolidate or affiliate with any other corporation, financial institution, entity or person; acquire control over any other firm, financial institution, corporation or organization or create any subsidiary; acquire, liquidate, sell or dispose (or agree to acquire, liquidate, sell or dispose) of any assets, other than in the Ordinary Course of Business and consistent with prior practice;

12/31/98

(s) not solicit or encourage inquiries or proposals with respect to, furnish any information relating to, or participate in any negotiations or discussions concerning any acquisition or purchase of all or a substantial equity interest or portion of the assets in or of Penn Laurel or CSB or any business combination with Penn Laurel or CSB, other than as contemplated by this Agreement, or authorize or permit any officer, director, agent or affiliate of it to do any of the above; or fail to notify Clearfield immediately if any inquiries or proposals are received by, any information is requested from, or any negotiations are sought to be initiated with Penn Laurel;

(t) not change any method, practice or principle of accounting except as may be required by generally accepted accounting principles or any applicable regulator;

(u) not make any loan or other credit facility commitment in excess of \$400,000 (including without limitation, lines of credit and letters of credit) to any affiliate as defined in Regulation O or compromise, expand, or modify any such commitment outstanding;

(v) not enter into any swap or similar commitment, agreement or arrangement which is not consistent with past practice and which increases the credit or interest rate risk over the levels existing at September 30, 1998;

(w) not enter into any derivative, cap or floor or similar commitment, agreement or arrangement, except in the ordinary course of business and consistent with past practices;

(x) take any action that would result in any of the representations and warranties of Penn Laurel or CSB set forth in this Agreement becoming untrue as of any date after the date hereof;

(y) not sell, exchange or otherwise dispose of any investment securities or loans that are held for sale, prior to scheduled maturity and other than pursuant to policies agreed upon from time to time by the parties;

(z) not purchase any security for its investment portfolio not rated "A" or higher by either Standard & Poor's Corporation or Moody's Investor Services, Inc.;

(aa) not waive, release, grant or transfer any rights of value or modify or change, in any material respect, any existing agreement to which Penn Laurel or CSB is a party, other than in the ordinary course of business consistent with past practice;

(bb) not knowingly take any action that would, under any statute, regulation or administrative practice of any regulatory agency, materially or adversely affect the ability of any party to this Agreement to obtain any required approvals for consummation of the transactions contemplated by this Agreement; and

(cc) not agree to any of the foregoing items (a) through (bb).

12/31/98

Section 7.2. Best Efforts. Penn Laurel and CSB shall cooperate with Clearfield and shall use their best efforts to do or cause to be done all things necessary or appropriate on their part in order to fulfill the conditions precedent set forth in Article VIII of this Agreement and to consummate this Agreement. In particular, without limiting the generality of the foregoing sentence, Penn Laurel and CSB shall:

- (a) Penn Laurel and CSB shall promptly prepare and file, with the cooperation and assistance of Clearfield, all required applications for regulatory approval of the transactions contemplated by this Agreement and the Bank Merger Agreement;
- (b) Penn Laurel shall promptly prepare, with the cooperation and assistance of Clearfield, and file with the Commission a registration statement under the Securities Act (the "Registration Statement") for the purpose of registering the shares of Penn Laurel Common Stock to be issued under the provisions of this Agreement. Penn Laurel may rely upon all information provided to it by Clearfield in this connection, and Penn Laurel shall not be liable for any untrue statement of a material fact or any omission to state a material fact in the Registration Statement or in the proxy statement and prospectus (the "Proxy Statement/Prospectus") that is prepared as a part of the Registration Statement, if the statement is made by Penn Laurel in reliance upon any information provided to Penn Laurel by Clearfield or by its agents and representatives. Penn Laurel will advise Clearfield, after it receives notice thereof, of the time when the Registration Statement or any Pre- or Post-Effective Amendment thereto has become effective or any supplement or amendment, thereto has been filed;
- (c) Penn Laurel and CSB, with the cooperation of Clearfield, shall promptly take all actions that may be necessary or appropriate in order to comply with all applicable securities laws of any state having jurisdiction over the transactions contemplated by this Agreement;
- (d) Penn Laurel and CSB, with the cooperation of Clearfield, shall make the Penn Laurel and CSB, as the case may be, employees reasonably available for training prior to the Effective Date, to the extent that training is deemed reasonably necessary;
- (e) make additions to loan loss reserves and make loan write-offs, write-downs and other adjustments that reasonably should be made by CSB in light of generally accepted accounting principles, directives of governmental authorities, and all regulations, rules and directives of the FDIC, Department of Banking, and Board of Governors of the Federal Reserve System (the "FRB"), prior to the closing of CSB's books of account for its fiscal year ending December 31, 1998, and for the period from that date until the Effective Date;
- (f) modify the Articles of Incorporation or Bylaws or any other documents of Penn Laurel and CSB reasonably necessary to effectuate the transactions contemplated hereby; and

12/31/98

(g) call a special or annual meeting of Penn Laurel's shareholders and take, in good faith, all actions that are necessary or appropriate on its part in order to secure the approval and adoption of this Agreement and the Bank Merger Agreement by its shareholders at the meeting, including recommending the approval of this Agreement and the Bank Merger Agreement by the shareholders of Penn Laurel;

(h) Support Agreement. Use its best efforts to assure that the directors of Penn Laurel shall have executed and delivered the Support Agreement in the form attached hereto as Exhibit C.

Section 7.3. Access to Properties and Records. Penn Laurel and CSB shall give to Clearfield and to its authorized representatives (including without limitation Clearfield's counsel, accountants, economic and environmental consultants and other designated representatives) reasonable access during normal business hours to all properties, books, contracts, documents and records of Penn Laurel and CSB as Clearfield may reasonably request, subject to the obligation of Clearfield and its authorized representatives to maintain the confidentiality of all non-public information concerning Penn Laurel or CSB obtained by reason of such access.

Section 7.4. Subsequent Financial Statements. Between the date of execution of this Agreement and the Effective Date, Penn Laurel and CSB shall promptly prepare and deliver to Clearfield, as soon as practicable, all internal monthly and quarterly financial statements, reports to shareholders and reports to regulatory authorities prepared by or for Penn Laurel or CSB, including all audit reports submitted to Penn Laurel or CSB by independent auditors in connection with each annual, interim or special audit of the books of Penn Laurel or CSB made by the accountants. In particular, without limiting the generality of the foregoing sentence, Penn Laurel or CSB, as the case may be, shall deliver to Clearfield, as soon as practicable, a balance sheet as of December 31, 1998, and a related statement of income for the twelve (12) months then ended (which financial statements are hereinafter referred to as the "December 31, 1998 Penn Laurel Financial Statements"). The representations and warranties set forth in Sections 4.7, 4.8 and 4.9 of this Agreement shall apply to the December 31, 1998 Penn Laurel Financial Statements.

Section 7.5. Board and Committee Minutes. Penn Laurel or CSB shall provide to Clearfield, within 10 days after any meeting of the Board of Directors, or any committee thereof, or any senior or executive management committee, a copy of the minutes of the meeting.

Section 7.6. Update Information. Penn Laurel and CSB shall promptly disclose to Clearfield, in writing, any change, addition, deletion or other modification to the information previously disclosed.

Section 7.7. Notice. Penn Laurel and CSB shall promptly notify Clearfield, in writing, of any actions, claims, investigations or other developments that, if pending or in existence on the date of this Agreement, would have been required to be disclosed to Clearfield in order to ensure the accuracy of the representations and warranties set forth in this Agreement or that otherwise could

12/31/98

materially and adversely affect the condition (financial or otherwise), assets, liabilities, business operations, or future prospects of Penn Laurel or CSB.

Section 7.8. Other Proposals. Penn Laurel and CSB shall not, nor shall they permit any officer, director, employee, agent, consultant, counsel or other representative, to directly or indirectly solicit, encourage, initiate or engage in discussions or negotiations with, or respond to requests for information, inquiries or other communications from, any person, other than Clearfield, concerning the fact of, or the terms and conditions of, this Agreement, or concerning any transaction with Penn Laurel or CSB, or any assets or business thereof (except that Penn Laurel's officers may respond to inquiries from analysts, regulatory authorities and holders of Penn Laurel Common Stock in the Ordinary Course of Business); and Penn Laurel or CSB, as the case may be, shall notify Clearfield immediately if any discussions or negotiations are sought to be initiated with Penn Laurel or CSB by any person other than Clearfield or if any requests for information, inquiries, proposals or communications are received from any person other than Clearfield.

Section 7.9. Dividends. Between the date of this Agreement and the Effective Date, Penn Laurel and CSB shall only declare and pay cash dividends as provided herein. Penn Laurel and CSB shall only pay regular quarterly cash dividends in amounts and on dates consistent with past practices.

Section 7.10. Core Deposits. CSB shall use commercially reasonable efforts to maintain deposits.

Section 7.11. No Purchase or Sales of Penn Laurel Common Stock During Price Determination Period. Neither Penn Laurel nor any subsidiary of Penn Laurel, nor any executive officer or director of Penn Laurel or any subsidiary of Penn Laurel, nor any shareholder of Penn Laurel who may be deemed to be an "affiliate" (as that term is defined for purposes of Commission Rules 145 and 405 under the Securities Act) of Penn Laurel, shall purchase or sell, directly or indirectly, any shares of Penn Laurel Common Stock or any options, rights or other securities convertible into shares of Penn Laurel Common Stock within 20 days of the Effective Date; provided, however, that Penn Laurel may purchase shares of Penn Laurel Common Stock in the Ordinary Course of Business during this period pursuant to Penn Laurel's employee benefit plans or Penn Laurel's stock option plan.

Section 7.12. Accounting Treatment. Penn Laurel and CSB acknowledge that the parties intend to treat the business combination contemplated by this Agreement as a "pooling of interests" for financial reporting purposes. Penn Laurel and CSB shall not take (and shall use their best efforts not to permit any of their directors, officers, employees, shareholders, agents, consultants or other representatives to take) any action that would preclude treating the business combination as a "pooling of interests" for financial reporting purposes.

Section 7.13. Press Releases. Penn Laurel and CSB shall not issue any press release related to this Agreement and the Bank Merger Agreement or the transactions contemplated hereby or

12/31/98

thereby as to which Clearfield has not given its prior written consent, and shall consult with Clearfield as to the form and substance of other public disclosures related thereto.

Section 7.14. Phase I Environmental Audit. Penn Laurel and CSB shall permit, if Clearfield elects to do, at its own expense, a "phase I environmental audit" to be performed at any physical location owned or occupied by Penn Laurel or CSB on the date hereof.

ARTICLE VIII

CONDITIONS PRECEDENT

Section 8.1. Common Conditions. The obligations of the parties to consummate this Agreement shall be subject to the satisfaction of each of the following common conditions prior to or as of the Effective Date, except to the extent that any condition shall have been waived in accordance with the provisions of Section 9.4 of this Agreement:

(a) Shareholder and Regulatory Approvals. The parties hereto are not under any obligation to consummate the Agreement until receipt of approval of the FRB (or waiver thereof), of the Banking Department, of the Federal Deposit Insurance Corporation and of any other approvals that may be necessary or required by the federal or state regulators, and all conditions and waiting periods required by the approvals, if any, have been satisfied or have expired, and until receipt of any other approvals required under the Articles of Incorporation or Bylaws of Clearfield, Penn Laurel or CSB, or from the shareholders of Clearfield or Penn Laurel or CSB, as the case may be. Provided, however, that no approval shall have imposed any condition or requirement that, in the opinion of the Board of Directors of Penn Laurel or the Board of Directors of Clearfield, renders consummation of the transactions contemplated herein inadvisable.

(b) Tax Matters. There shall have been received an opinion of counsel from Shumaker Williams, P.C., reasonably satisfactory in form and substance to Penn Laurel, CSB and Clearfield, to the effect that:

(i) The transactions contemplated by this Agreement and by the Bank Merger Agreement will constitute a reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(E) the Code;

(ii) No gain or loss will be recognized by Penn Laurel or CSB or by Clearfield as a result of the reorganization;

(iii) No gain or loss will be recognized by the shareholders of Clearfield upon receipt of Penn Laurel Common Stock in exchange for Clearfield Common Stock pursuant to the provisions of this Agreement (except in respect of cash that is received in lieu of the issuance of fractional shares of Penn Laurel Common Stock

12/31/98

and any shareholder of Clearfield who receives payment in cash as a dissenting shareholder);

(iv) The tax basis of the Penn Laurel Common Stock to be received by the shareholders of Clearfield pursuant to the provisions of this Agreement will be the same as the tax basis of the Clearfield Common Stock surrendered in exchange therefor;

(v) The holding periods of the Penn Laurel Common Stock to be received by the shareholders of Clearfield pursuant to the provisions of this Agreement will include the holding periods of the Clearfield Common Stock surrendered in exchange therefor, provided that the Clearfield Common Stock is held as a capital asset on the Effective Date; and

(vi) Clearfield as the surviving bank to the Merger, will carry-over and take into account all accounting items and tax attributes of CSB, including, but not limited, to earnings and profits, methods of accounting, and tax basis and holding periods of the assets of CSB.

(c) Registration Statement. The Registration Statement shall have been declared effective by the Commission; the information contained therein shall be true, complete and correct in all material respects as of the date of mailing of the Proxy Statement/Prospectus to the shareholders of Clearfield; regulatory clearance for the offering contemplated by the Registration Statement (the "Offering") shall have been received from each federal and state regulatory authority having jurisdiction over the Offering, and no stop order shall have been issued or proceedings instituted or threatened by any federal or state regulatory authority to suspend or terminate the effectiveness of the Registration Statement or the Offering.

(d) Fairness Opinions. Each of Penn Laurel and Clearfield shall have obtained from an independent financial advisor selected by the Board of Directors of Penn Laurel or Clearfield, as the case may be, an opinion, dated as of a date no later than that of the Proxy Statement/Prospectus for the special or annual meetings of Clearfield's and Penn Laurel's shareholders, contemplated by Sections 6.2(b) and 7.2(g) respectively, of this Agreement, stating that the exchange ratio of the consideration to be received by the holders of Clearfield Common Stock and given by Penn Laurel, is fair from a financial point of view, to the shareholders of the respective entities.

(e) No Suits. No action, suit or proceeding shall be pending or threatened before any federal, state or local court or governmental authority or before any arbitration tribunal that seeks to modify, enjoin or prohibit or otherwise adversely and materially affect the transactions contemplated by this Agreement.

(f) Statutes; Orders. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any governmental authority that

12/31/98

prohibits, restricts or makes illegal the consummation of the transactions contemplated by this Agreement.

(g) Antitrust Laws. All applicable notifications, statutory and regulatory Antitrust Law requirements have been met.

(h) Other Requirements. All other requirements prescribed by law, and the Articles of Incorporation, Bylaws and contracts of the parties hereto that are necessary to the consummation of the transactions contemplated by this Agreement shall have been satisfied.

(i) Dissenting Shareholders. Holders of no more than nine percent (9%) of the issued and outstanding shares of Clearfield or Penn Laurel shall have exercised their statutory appraisal or Dissenters' Rights.

Section 8.2. Conditions Precedent to Obligations of Penn Laurel and CSB. The obligations of Penn Laurel and CSB to consummate this Agreement shall be subject to the satisfaction of each of the following conditions prior to or as of the Effective Date, except to the extent that the condition shall have been waived by Penn Laurel and CSB in accordance with the provisions of Section 9.4 of this Agreement:

(a) Accuracy of Representations and Warranties. All of the representations and warranties of Clearfield, as set forth in this Agreement and the information contained in all Clearfield Closing Documents (as defined in Section 8.2(g) of this Agreement), shall be true and correct in all material respects as of the Effective Date as if made on that date (or on the date to which it relates in the case of any representation or warranty that expressly relates to an earlier date).

(b) Covenants Performed. Clearfield shall have performed or complied in all material respects with each of the covenants required by this Agreement to be performed or complied with by it.

(c) Opinion of Counsel for Clearfield. Clearfield shall have delivered to Penn Laurel and CSB an opinion of its special counsel in form and substance reasonably satisfactory to Penn Laurel and CSB, to the effect that, as of the Effective Date:

(i) Clearfield is a Pennsylvania chartered bank and trust company, duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has full power and lawful authority to own and hold its properties and to carry on its present business;

(ii) Clearfield is an insured bank under the provisions of the FDIA;

(iii) the authorized capital of Clearfield consists exclusively of _____ shares of common stock, par value \$_____ per share, of which _____ shares are

12/31/98

validly issued, _____ shares are outstanding, fully paid and non-assessable and _____ shares are held as treasury shares; and, to the knowledge of counsel after reasonable inquiry, there are no outstanding obligations, options or rights of any kind entitling other persons to purchase or sell the shares granted by Clearfield, and there are no outstanding securities or other instruments of any kind convertible into the shares that have been granted by Clearfield;

(iv) Clearfield has full corporate power and authority to execute and deliver this Agreement and the Bank Merger Agreement and to carry out the transactions contemplated herein and therein, and all corporate actions required to be taken by Clearfield to authorize the execution and delivery of this Agreement and the performance of the transactions contemplated herein have been taken;

(v) this Agreement and the Bank Merger Agreement have been duly executed and delivered by Clearfield and, assuming due authorization, execution and delivery by Penn Laurel and CSB, constitute valid and binding obligations of Clearfield and are enforceable against Clearfield in accordance with their terms, subject to bankruptcy, insolvency, and other laws of general applicability relating to or affecting creditors' rights and general equity principles;

(vi) the performance of this Agreement and the Bank Merger Agreement by Clearfield will not violate the Articles of Incorporation or the Bylaws of Clearfield or, to the knowledge of counsel after reasonable inquiry, any applicable statute, rule, regulation, order, decree, directive, consent agreement, memorandum of understanding or to the knowledge of counsel, any material contract, material indenture or other material instrument to which Clearfield is a party or by which its properties are bound;

(vii) to the knowledge of counsel after reasonable inquiry, there is no action, suit or proceeding, pending or threatened, of the kind contemplated under Section 8.1(e) of this Agreement;

(viii) to the knowledge of counsel after reasonable inquiry, there is no action, suit or proceeding pending or threatened against Clearfield (except as previously disclosed or in counsel's opinion) that, if determined adversely to Clearfield, would have a material and adverse effect upon the condition (financial or otherwise), assets, liabilities, business or operations of Clearfield;

(ix) no consent, approval, authorization or order of any federal, state or local court or governmental authority is required to be obtained by Clearfield in connection with the consummation of the transactions contemplated in this Agreement, other than consents, approvals, authorizations and orders as have been obtained prior to the Effective Date; and

12/31/98

(x) other legal matters incident to the matters contemplated hereby as may reasonably be requested by Penn Laurel and CSB.

For purposes of Clause (viii) above, any action, suit or proceeding seeking to recover from Clearfield damages, fines, penalties or other relief having a monetary value of \$50,000 or more shall be deemed to be "material." In giving the foregoing opinion, counsel may rely as to matters of fact without independent investigation, to the extent counsel deems reliance necessary, appropriate, and reasonable, provided, however, that reliance is expressly noted in the opinion, and on certificates of federal, state or local governmental officials and on certificates of officers and directors of Clearfield. Counsel may expressly exclude any opinions as to choice of law matters and antitrust matters and may add other qualifications and explanations of the basis of its opinions as are reasonably acceptable to Penn Laurel and CSB.

The opinion of counsel shall be governed by the Legal Opinion Accord ("Accord") of the American Bar Association Section of Business Law (1991). The term "Actual Knowledge" as used herein shall have the meaning set forth in the Accord. In addition, the opinion may be limited to present statutes, regulations, rulings and formal agency and judicial interpretations and to facts as they presently exist; in rendering the opinion, counsel need assume no obligation to revise or supplement it should the present laws be changed by the legislative or regulatory action, judicial decision or otherwise after the opinion is rendered. Counsel may assume that any agreement is the valid and binding obligation of any parties to the agreement other than Clearfield. In giving the opinion, counsel may rely as to all matters of facts or certificates of officers or directors of Clearfield and certificates of public officials, so long as such reliance and the facts thereunder are expressly stated. Counsel's opinion shall be limited to matters governed by federal laws and by the laws of the Commonwealth of Pennsylvania. With respect to matters involving the application of law other than the law of the Commonwealth of Pennsylvania, counsel may rely, to the extent it deems proper and as specified in its opinion, upon the opinion of local counsel.

(d) Accounting Treatment. Penn Laurel, CSB and their accountants shall have established to their satisfaction that, as of the Effective Date, the transactions contemplated by this Agreement can be accounted for as a "pooling of interests" for financial reporting purposes.

(e) Federal and State Securities and Antitrust Laws. Penn Laurel, CSB and their counsel shall have determined to their satisfaction that, as of the Effective Date, all applicable securities and antitrust laws of the federal government and of any state government having jurisdiction over the transactions contemplated by this Agreement shall have been complied with.

(f) Environmental Matters. No environmental problem of the kind contemplated in Section 3.25 of Article III of this Agreement, and not previously disclosed shall have been discovered that would, or that potentially could, materially and adversely affect the condition

12/31/98

(financial or otherwise), assets, liabilities, business, operations or future prospects of Clearfield. The result of any "Phase I environmental audit" conducted pursuant to Section 6.16 with respect to owned or occupied bank premises shall be reasonably satisfactory to Penn Laurel

(g) Closing Documents. Clearfield shall have delivered to Penn Laurel and CSB: (i) a certificate signed by Clearfield's Chairman of the Board or President and by its Secretary, or other designated and authorized officers, verifying that, to the best of their knowledge after reasonable investigation, all of the representations and warranties of Clearfield set forth in this Agreement are true and correct in all material respects as of the Effective Date and that Clearfield has performed in all material respects each of the covenants required to be performed by it under this Agreement; (ii) all consents and authorizations of landlords and other persons that are necessary to permit this Agreement to be consummated without violation of any lease or other agreement to which Clearfield is a party or by which Clearfield or any of its properties are bound; and (iii) other certificates and documents as Penn Laurel, CSB and their counsel may reasonably request (all of the foregoing certificates and other documents being herein referred to as the "Clearfield Closing Documents").

(h) Support Agreement. A majority of the Directors of Clearfield shall have executed and delivered to Penn Laurel a "Support Agreement" in the form attached hereto as Exhibit "B".

(i) Shareholder Approval. Penn Laurel shareholders, if required, have approved and/or adopted this Agreement and the transactions contemplated thereby.

Section 8.3. Conditions Precedent to the Obligations of Clearfield. The obligation of Clearfield to consummate this Agreement shall be subject to the satisfaction of each of the following conditions prior to or as of the Effective Date, except to the extent that any such condition shall have been waived by Clearfield in accordance with the provisions of Section 9.4 of this Agreement:

(a) Accuracy of Representations and Warranties. All of the representations and warranties of Penn Laurel and CSB, as set forth in this Agreement and in the Penn Laurel Closing Documents (as defined in Section 8.3(j) of this Agreement), shall be true and correct in all material respects as of the Effective Date as if made on that date (or on the date to which it relates in the case of any representation or warranty that expressly relates to an earlier date).

(b) Covenants Performed. Penn Laurel and CSB shall have performed or complied in all material respects with each of the covenants required by this Agreement to be performed or complied with by them.

12/31/98

(c) Opinion of Counsel for Penn Laurel and CSB. Penn Laurel and CSB shall have delivered to Clearfield an opinion of its special counsel, Shumaker Williams, P.C., in form and substance reasonably satisfactory to Clearfield, to the effect that, as of the Effective Date:

(i) Penn Laurel is a business corporation that is duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania;

(ii) Penn Laurel is a registered bank holding company under the Bank Holding Company Act of 1956, as amended, and has full corporate power and authority to own and hold its properties and to carry on its present business;

(iii) CSB is a Pennsylvania chartered banking institution that is duly organized and validly existing under the laws of the Commonwealth of Pennsylvania and of the United States and has full corporate power and authority to own and hold its properties and to carry on its present business;

(iv) Penn Laurel and CSB have full corporate power and authority to execute and deliver this Agreement and the Bank Merger Agreement and to carry out the transactions contemplated herein and therein, and all corporate actions required to be taken by Penn Laurel and CSB to authorize the execution and delivery of this Agreement and the performance of the transactions contemplated herein and therein have been taken;

(v) this Agreement and the Bank Merger Agreement have been duly authorized, executed and delivered by Penn Laurel and CSB and, assuming due authorization, execution and delivery by Clearfield, constitute valid and binding obligations of each of Penn Laurel and CSB and are enforceable against Penn Laurel in accordance with their terms, subject to bankruptcy, insolvency, and other laws of general applicability relating to or affecting creditors' rights and general equity principles;

(vi) to the knowledge of counsel, there is no action, suit, or proceeding pending or threatened against Penn Laurel or CSB (except as described in a schedule to this Agreement or in counsel's opinion) that, if determined adversely to Penn Laurel or CSB, would have a material and adverse affect upon the condition (financial or otherwise), assets, liabilities, business or operations of Penn Laurel or CSB;

(vii) to the knowledge of counsel after reasonable investigation, there is no action, suit or proceeding pending or threatened of the kind contemplated under Section 8.1(e) of this Agreement;

12/31/98

(viii) the shares of Penn Laurel Common Stock to be issued under this Agreement have been duly authorized and, when issued in accordance with the Agreement, will be validly issued, fully paid and non-assessable;

(ix) no consent, approval, authorization or order of any federal, state or local court or governmental authority is required to be obtained by Penn Laurel or CSB in connection with the consummation of the transactions contemplated in this Agreement, other than the consents, approvals, authorizations and orders as have been obtained prior to the Effective Date; and

(x) other legal matters incident to the matters contemplated hereby as may reasonably be requested by Clearfield.

For purposes of Clause (vi) above, any action, suit or proceeding seeking to recover from Penn Laurel damages, fines, penalties or other relief having a monetary value of \$50,000 or more shall be deemed to be "material." In giving the foregoing opinion, counsel may rely as to matters of fact without reasonable investigation, to the extent counsel deems reliance necessary, appropriate and reasonable, provided, however, that such reliance is expressly noted in the opinion, and on certificates of federal, state or local governmental officials and on certificates of officers and directors of Penn Laurel and CSB. Counsel may exclude any opinions as to choice of law matters and antitrust matters and may add other qualifications and explanations of the basis of its opinions as are reasonably acceptable to Clearfield.

The opinion of counsel shall be governed by the Legal Opinion Accord ("Accord") of the American Bar Association Section of Business Law (1991). The term "Actual Knowledge" as used herein shall have the meaning set forth in the Accord. In addition, the opinion may be limited to present statutes, regulations, rulings and formal agency and judicial interpretations and to facts as they presently exist; in rendering the opinion, counsel need assume no obligation to revise or supplement it should the present laws be changed by the legislative or regulatory action, judicial decision or otherwise after the opinion is rendered. Counsel may assume that any agreement is the valid and binding obligation of any parties to the agreement other than Penn Laurel or CSB. In giving the opinion, counsel may rely as to all matters of facts or certificates of officers or directors of Penn Laurel or CSB and certificates of public officials, so long as such reliance and the facts thereunder are expressly stated. Counsel's opinion shall be limited to matters governed by federal laws and by the laws of the Commonwealth of Pennsylvania. With respect to matters involving the application of Pennsylvania law, counsel may rely, to the extent it deems proper and as specified in its opinion, upon the opinion of local counsel.

(d) Accounting Treatment. Clearfield and its accountants shall have established to its satisfaction that, as of the Effective Date, the transactions contemplated by this Agreement can be accounted for as a "pooling of interests" for financial reporting purposes.

12/31/98

(e) Federal and State Securities and Antitrust Laws. Clearfield and its counsel shall have determined to their satisfaction that, as of the Effective Date, all applicable securities and antitrust laws of the federal government and of any state government having jurisdiction over the transactions contemplated by this Agreement shall have been complied with.

(f) Environmental Matters. No environmental problem of the kind contemplated in Section 4.25 of Article IV of this Agreement, and not previously disclosed shall have been discovered that would, or that potentially could, materially and adversely affect the condition (financial or otherwise), assets, liabilities, business, operations or future prospects of Penn Laurel or CSB, as the case may be. The result of any "Phase I environmental audit" conducted pursuant to Section 7.16 with respect to owned or occupied premises shall be reasonably satisfactory to Clearfield.

(g) Closing Documents. Penn Laurel and CSB shall have delivered to Clearfield: (i) a certificate from each of Penn Laurel and CSB signed by its President and by its Secretary, or other designated and authorized officers, verifying that, to the best of their knowledge after reasonable investigation, all of the representations and warranties of Penn Laurel or CSB, as the case may be, set forth in this Agreement are true and correct in all material respects as of the Effective Date and that Penn Laurel or CSB, as the case may be, has performed in all material respects each of the covenants required to be performed by it under this Agreement; (ii) all consents and authorizations of landlords and other persons that are necessary to permit this Agreement to be consummated without violation of any lease or other agreement to which Penn Laurel or CSB, as the case may be, is a party or by which Penn Laurel or CSB or any of its properties are bound; and (iii) other certificates and documents as Clearfield and its counsel may reasonably request (all of the foregoing certificates and other documents being herein referred to as the "Penn Laurel Closing Documents").

(h) Support Agreement. A majority of the Directors of Penn Laurel shall have executed and delivered to Clearfield a "Support Agreement" in the form attached hereto as Exhibit "C".

(i) Shareholder Approval. Clearfield's shareholders shall have approved and/or adopted this Agreement and the transactions contemplated hereunder.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

Section 9.1. Termination. This Agreement may be terminated at any time before the Effective Date (whether before or after authorization, approval and adoption by the shareholders) as follows:

(a) Mutual Consent. This Agreement may be terminated by mutual consent of the parties upon the affirmative vote of a majority of each of the Boards of Directors of Clearfield and Penn Laurel, followed by written notices given to each of the other parties.

(b) Unilateral Action by Penn Laurel and CSB. This Agreement may be terminated unilaterally by the affirmative vote of a majority of the Board of Directors of Penn Laurel, followed by written notice given to Clearfield, if: (i) there has been a material breach by Clearfield of any representation, warranty or covenant set forth in this Agreement and the breach has not been cured within thirty (30) days after written notice of the breach has been given by Penn Laurel to Clearfield; or (ii) any condition precedent to Penn Laurel's and CSB's obligations, as set forth in Article VIII of this Agreement, remains unsatisfied, through no fault of Penn Laurel or CSB, on October 31, 1999.

(c) Unilateral Action By Clearfield. This Agreement may be terminated unilaterally by the affirmative vote of a majority of the Board of Directors of Clearfield, followed by written notice given to Penn Laurel and CSB, if: (i) there has been a material breach by Penn Laurel or CSB of any representation, warranty or covenant set forth in this Agreement and the breach has not been cured within thirty (30) days after written notice of the breach has been given to Penn Laurel and CSB; or (ii) any condition precedent to Clearfield's obligations as set forth in Article VIII of this Agreement remains unsatisfied, through no fault of Clearfield, on October 31, 1999.

(d) Automatic Termination. If, for any reason, this transaction shall not have been consummated by October 31, 1999, this Agreement shall terminate automatically as of that date unless extended, in writing, prior thereto.

Section 9.2. Effect of Termination.

(a) Effect. In the event of termination, this Agreement shall become null and void and the transactions contemplated herein shall thereupon be abandoned, except that the provisions relating to limited liability and confidentiality set forth in Sections 9.2(b) and 9.2(c) of this Agreement shall survive the termination.

(b) Limited Liability. The termination of this Agreement in accordance with the terms of Section 9.1 shall create no liability on the part of any party, or on the part of any party's directors, officers, shareholders, agents or representatives, except that, if this Agreement is terminated by Penn Laurel and CSB by reason of a material breach by Clearfield, or, if this Agreement is terminated by Clearfield by reason of a material breach by Penn Laurel or CSB, and the breach involves an intentional, willful or grossly negligent misrepresentation or breach of covenant, the breaching party shall be liable to the non-breaching party or parties for all costs and expenses reasonably incurred by the non-breaching party or parties in connection with the preparation, execution and consummation of this Agreement, including the fees of its or their counsel, accountants, consultants and other representatives.

12/31/98

(c) Confidentiality. In the event of the termination of this Agreement, the parties shall not use or disclose to any other person any confidential information obtained by them during the course of their investigation of the other party or parties.

Section 9.3. Amendment. To the extent permitted by law, this Agreement may be amended at any time before the Effective Date (whether before or after authorization, approval and adoption by the shareholders of Penn Laurel or Clearfield) by a written instrument duly authorized, executed and delivered by Penn Laurel and CSB and by Clearfield; provided, however, that any amendment to the provisions of Article II of this Agreement relating to the consideration to be received by the shareholders of Clearfield in exchange for their shares of Clearfield Common Stock shall not take effect until the amendment has been approved, adopted or ratified by the shareholders of Clearfield and Penn Laurel in accordance with applicable federal and state law.

Section 9.4. Waiver. Any term or condition of this Agreement may be waived, to the extent permitted by law, by the party or parties entitled to the benefit thereof at any time before the Effective Date (whether before or after authorization, approval and adoption by the shareholders of Clearfield) by a written instrument duly authorized, executed and delivered by the party or parties.

ARTICLE X

RIGHTS OF DISSENTING SHAREHOLDERS

Section 10.1. Rights of Dissenting Shareholders. The shareholders of Clearfield and Penn Laurel shall be entitled to and may exercise dissenters' rights if and to the extent they are entitled to do so under the provisions of applicable law.

ARTICLE XI

CLOSING AND EFFECTIVE DATE

Section 11.1. Closing. Provided that all conditions precedent set forth in Article VIII of this Agreement shall have been satisfied or shall have been waived in accordance with Section 9.4 of this Agreement, the parties shall hold a closing (the "Closing") at the offices of Penn Laurel at 434 State Street, Curwensville, Pennsylvania, or another mutually agreed upon location, within thirty (30) days after the last to occur of the: (1) receipt of all required regulatory approvals and after the expiration of all applicable waiting periods; (2) approval by the Clearfield and Penn Laurel shareholders, respectively at which time the parties shall deliver the Clearfield Closing Documents, the Penn Laurel/CSB Closing Documents, and other documents and instruments as may be necessary or appropriate to effectuate the purposes of this Agreement.

Section 11.2. Effective Date. The Merger shall become effective and this Agreement and the Bank Merger Agreement shall be consummated on the date upon which Articles of Merger shall

be filed with the Pennsylvania Department of State, or such later date as shall be specified as the Effective Date in the Articles of Merger pursuant to the mutual agreement of Penn Laurel, CSB and Clearfield and in accordance with the Pennsylvania Banking Code (the "Effective Date"). At the Effective Date, CSB shall cease to exist as a separate banking institution, and Clearfield shall become the surviving institution in the Merger with the name Penn Laurel Bank & Trust.

ARTICLE XII

NO SURVIVAL OF REPRESENTATIONS AND WARRANTIES

Section 12.1. No Survival. The representations and warranties of Clearfield and of Penn Laurel and CSB set forth in this Agreement shall expire and be terminated on the Effective Date upon consummation of the transactions contemplated by this Agreement, and no such representation or warranty shall thereafter survive.

ARTICLE XIII

POST-MERGER AGREEMENTS

Section 13.1. Employees.

(a) Immediately after the Effective Date, Penn Laurel Bank & Trust shall employ all of the Clearfield employees and all of the CSB employees who are in good standing, actively at work, and employed by Clearfield and CSB, respectively, as of the Effective Date on such terms as the resulting Board of Directors shall approve. It is understood and agreed by the parties to this Agreement that this Section 13.1(a) shall not create any implied or express rights of employment to any employee.

(b) After the Effective Date, all benefit, health, welfare and insurance plans of the resulting bank will be agreed upon and/or revised, modified, amended or supplemented only with the approval of the resulting Board of Directors or as otherwise required by law.

Section 13.2. Officers. Immediately after the Effective Date, William L. Bertram shall be appointed and employed as the Chairman of the Board of Directors of Penn Laurel and of Penn Laurel Bank & Trust for a term of two years; Larry W. Brubaker shall be appointed and employed as the President and Chief Executive Officer of Penn Laurel and of Penn Laurel Bank & Trust for a term of three years, and Wesley M. Weymers and Sherwood C. Moody shall each be appointed and employed as an Executive Vice President of Penn Laurel and of Penn Laurel Bank & Trust, for a term of three years. Each of the above named executives (the "Executives") shall be employed pursuant to an employment agreement that is mutually agreeable to the parties hereof and the Executives, respectively. Such agreements shall be subject to the approval of, and executed by the

12/31/98

parties and each of the Executives, respectively, within 90 days of the date hereof, but no later than prior to the Effective Date.

Section 13.3. Board Appointments.

a. Immediately after the Effective Date, the Board of Directors of Penn Laurel and Penn Laurel Bank & Trust, shall consist of all persons who were members of the Board of Directors of Penn Laurel and Clearfield on the date hereof, with the addition of Mr. Wesley M. Weymers, to each respective Board of Directors. After the Effective Date, each Director of Penn Laurel and Clearfield shall serve on the Board of Directors of Penn Laurel, as Penn Laurel Bank & Trust, in the Class of Director that they currently serve of their respective companies' Board of Directors.

b. Prior to the Effective Date, Penn Laurel, CSB and Clearfield shall each amend, if necessary, their respective bylaws so that the retirement age for director service shall be 72, or the end of a Directors' term if during said term, he or she shall have attained the age of 72. Any director who is currently grandfathered from any director service age restriction of either Penn Laurel, CSB or Clearfield shall continue to be grandfathered. The number of directors serving as directors of Penn Laurel and Penn Laurel Bank & Trust shall only be reduced as a result of attrition, i.e., death, resignation, non-grandfathered age restrictions or regulatory action.

ARTICLE XIV

GENERAL PROVISIONS

Section 14.1. Expenses. Except as provided in Section 9.2(b) of this Agreement, each party shall pay its own expenses incurred in connection with this Agreement and the consummation of the transactions contemplated herein except for such expenses as have been mutually agreed upon, i.e., preparation of all documentation. For purposes of this Section 14.1, the cost of printing the Proxy Statement/Prospectus shall be deemed to be an expense of Penn Laurel and Clearfield.

Section 14.2 Access; Confidentiality. The parties hereby agree to conduct the investigations and discussions contemplated by Section 6.3 and Section 7.2 of this Agreement in a manner that will not interfere unreasonably with normal operations and customer and employee relationships. If the transactions contemplated by this Agreement are not consummated, the parties hereby agree to destroy or return all documents and records obtained from the other or their respective representatives, during the course of any investigation and will cause all information with respect to the other party obtained pursuant to this Agreement or preliminarily thereto to be kept confidential, except to the extent the information becomes public through no fault of the party that has obtained the information or any of its respective representatives or agents and except to the extent disclosure of such information is legally required. Each party hereby agrees to give the other party prompt notice of any contemplated disclosure where disclosure is so legally required.

Section 14.3. Notices. All notices, claims, requests, demands and other communications that are required or permitted to be given under this Agreement shall be in writing and shall be

12/31/98

deemed to have been duly delivered if delivered in person, transmitted by facsimile machine (but only if receipt is acknowledged in writing), mailed by registered or certified mail, return receipt requested or sent by recognized overnight delivery service guaranteeing next day delivery addressed as follows:

- (a) If to Penn Laurel Financial Corp. and/or CSB to:

Penn Laurel Financial Corp.
434 State Street
Curwensville, Pennsylvania 16833
Attention: Larry W. Brubaker

With a copy to:

Shumaker Williams, P.C.
3425 Simpson Ferry Road
Camp Hill, Pennsylvania 17011
Attention: Nicholas Bybel, Jr.

- (b) If to Clearfield Bank & Trust Company to:

Clearfield Bank & Trust Company
11 North Second Street
Clearfield, Pennsylvania 16830
Attention: Sherwood C. Moody

With a copy to:

Tucker Arensberg, P.C.
1500 One PPG Place
Pittsburgh, Pennsylvania 15222
Attention: William T. Harvey

Section 14.4. Captions. The captions contained in this Agreement are for reference purposes only and are not part of this Agreement.

Section 14.5. Counterparts. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all the counterparts together shall be deemed to be one and the same instrument.

Section 14.6. Severability. If any provision of this Agreement or the application thereof to any party or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of the provisions to other parties or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

12/31/98

Section 14.7. Parties in Interest. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the rights and obligations of any party under this Agreement may not be assigned or delegated by that party without the prior written consent of each other party.

Section 14.8. Entire Agreement. This Agreement, including the documents and other writings referred to herein or delivered pursuant hereto, sets forth the entire understanding and agreement of the parties hereto and supersedes any and all prior agreements, arrangements and understandings, oral or written, relating to the subject matter hereof.

Section 14.9. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without regard to the conflict laws principles thereof.

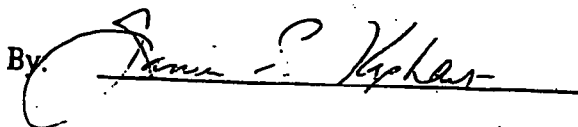
12/31/98

IN WITNESS WHEREOF, intending to be legally bound hereby, this Agreement is executed as of the day and year first above written.

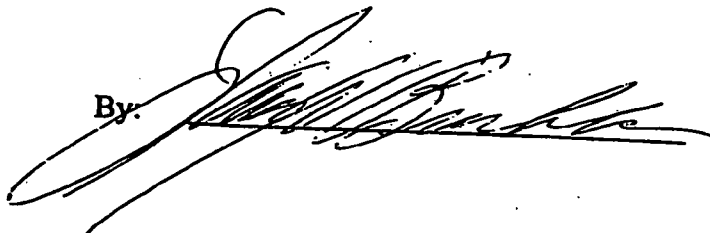
ATTEST:

PENN LAUREL FINANCIAL CORP.

By:



By:

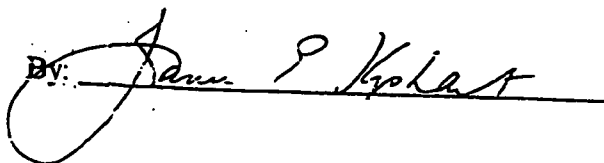


[CORPORATE SEAL]

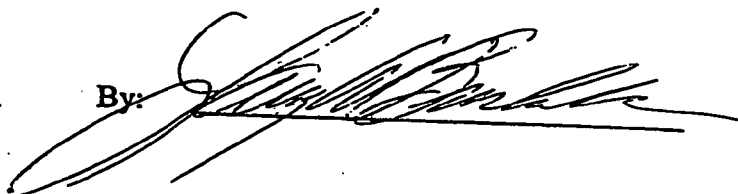
ATTEST:

CSB BANK

By:



By:

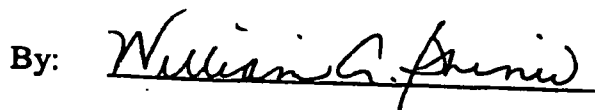


[BANK SEAL]

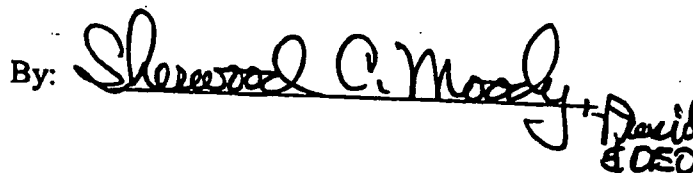
ATTEST:

CLEARFIELD BANK & TRUST COMPANY

By:



By:



[BANK SEAL]

THIS PAGE LEFT INTENTIONALLY BLANK

AGREEMENT AND PLAN OF MERGER
of
CLEARFIELD BANK & TRUST COMPANY
and
CSB BANK

THIS AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") is dated as of December 31, 1998, by and between CSB BANK ("CSB"), a Pennsylvania chartered bank, having its principal office at 434 State Street, Curwensville, Pennsylvania 16833, and CLEARFIELD BANK & TRUST COMPANY ("Clearfield"), a Pennsylvania chartered bank and trust company, having its principal office at 11 North Second Street, Clearfield, Pennsylvania 16830 (the two parties being sometimes collectively referred to as the "Constituent Banks") each acting pursuant to resolutions approved and adopted by the vote of a majority of its directors.

BACKGROUND:

WHEREAS, Clearfield and CSB are parties to an Agreement and Plan of Reorganization of even date herewith (the "Reorganization Agreement") that provides, among other things, for the execution of the Merger Agreement and the merger of Clearfield and CSB (the "Merger") in accordance with the terms and conditions set forth therein and herein; and

WHEREAS, the respective Boards of Directors of Clearfield and CSB deem the Merger of Clearfield and CSB in accordance with the Reorganization Agreement and pursuant to the terms and conditions herein set forth or referred to, desirable and in the best interests of the Constituent Banks and their respective shareholders; and

WHEREAS, the respective Boards of Directors of Clearfield and CSB have adopted resolutions approving and adopting this Merger Agreement, and the respective Boards of Directors of CSB, Penn Laurel Financial Corp., a Pennsylvania corporation and parent of CSB ("Penn Laurel") and Clearfield have adopted resolutions approving and adopting the Reorganization Agreement, and the Boards of Directors of Clearfield and CSB have directed that this Merger Agreement be submitted to their respective shareholders;

WHEREAS, the approval of this Merger Agreement and the Reorganization Agreement requires the approval of the shareholders of the Constituent Banks, as required by applicable laws and by each party's Articles of Incorporation and Bylaws;

WHEREAS, one hundred percent (100%) of the outstanding shares of capital stock of CSB (the "CSB Common Stock") are held by its sole shareholder, Penn Laurel;

12/31/98

NOW, THEREFORE, in consideration of their mutual covenants and agreements contained herein and in the Reorganization Agreement, and for the purpose of stating the method, terms and conditions of the Merger, and such other details and provisions as are deemed desirable, the parties hereto, intending to be legally bound hereby, agree as follows:

1. The Merger. Subject to the terms and conditions of this Merger Agreement and the Reorganization Agreement, and in accordance with the laws of the Commonwealth of Pennsylvania, on the Effective Date (as defined in Section 11.2 of the Reorganization Agreement, and referred to herein as the "Effective Date"), CSB shall be merged with and into Clearfield pursuant to the Pennsylvania Banking Code of 1965, as amended (the "Banking Code"), and Clearfield shall be the surviving institution. On the Effective Date, the separate existence of CSB shall cease, and Clearfield shall be the surviving institution (the "Surviving Institution"), the principal and branch offices of CSB shall become authorized offices of Clearfield; and all the property (real, personal and mixed), rights, powers, duties, and obligations of Clearfield and CSB shall be taken and deemed to be transferred to and vested in the Surviving Institution, without further act or deed, as provided by applicable laws and regulations.

2. Name. The name of the Surviving Institution shall be "Penn Laurel Bank & Trust Company," and the location of its principal office shall be 11 North Second Street, Clearfield, Pennsylvania 16830.

3. Articles of Incorporation. The Articles of Incorporation of Clearfield as in effect immediately prior to the Effective Date, as may be amended in furtherance of the Reorganization Agreement and the Merger Agreement at the Effective Date, shall be the Articles of Incorporation of the Surviving Institution, until amended in accordance with applicable law.

4. Bylaws. The Bylaws of CSB as in effect immediately prior to the Effective Date, as may be amended in furtherance of the Reorganization Agreement and the Merger Agreement, at the Effective Date, shall be the Bylaws of the Surviving Institution, until amended in accordance with applicable law.

5. Conversion of Shares. The manner and basis of converting shares of common stock of the Constituent Banks shall be as follows:

5.1 Conversion of Clearfield Common Stock. On the Effective Date, the shares of Clearfield Common Stock then outstanding and eligible for conversion under Article II of the Reorganization Agreement shall be converted into the right to receive shares of common stock of Penn Laurel, par value \$5.00 per share (the "Penn Laurel Common Stock") in accordance with the terms of and as provided in Section 2.1(a) of the Reorganization Agreement.

12/31/98

5.2 Stock of CSB. The shares of CSB Common Stock issued and outstanding immediately prior to the Effective Date shall continue to be issued and outstanding shares of common stock of the Surviving Institution. From and after the Effective Date, each certificate that, prior to the Effective Date, represented shares of CSB Common Stock, shall evidence ownership of shares of such common stock of the Surviving Institution.

6. Surrender and Exchange of Clearfield Certificates. On the Effective Date, the outstanding shares of Clearfield Common Stock shall be exchanged for and shall become the right to receive shares of Penn Laurel Common Stock in accordance with and as provided for in Section 2.2 of the Reorganization Agreement.

7. Effect of Merger. On the Effective Date, the Surviving Institution shall succeed, without further act or deed, to all of the property, rights, powers, duties and obligations of the Constituent Banks in accordance with the Banking Code. Any claim existing or action pending by or against either of the Constituent Banks may be prosecuted to judgment as if the Merger had not taken place, and the Surviving Institution may be substituted in its place.

8. Continuation of Business. The Surviving Institution shall continue in business with the assets and liabilities of each of the Constituent Banks. The Surviving Institution shall be a bank and trust company organized and having perpetual existence under the laws of the Commonwealth of Pennsylvania. The branch offices of the Surviving Institution shall consist of CSB's and Clearfield's present branch offices and any other branch office or offices that CSB and Clearfield may be authorized to have as of the Effective Date. The headquarters of the Surviving Institution shall be at 11 North Second Street, Clearfield, Pennsylvania 16830.

9. Board of Directors and Officers. The Directors of CSB and of Clearfield as in effect immediately prior to the Effective Date shall be the Directors of the Surviving Institution, until such time as their successors have been elected, qualified, or appointed. Each director shall serve in the Class of Director that he or she currently serves, provided, however, that all classes of Directors shall be as equal as possible. The Officers of the Surviving Institution shall be as follows:

William L. Bertram
Larry W. Brubaker
Sherwood C. Moody
Wesley M. Wymers

Chairman of the Board
President
Executive Vice President
Executive Vice President

The officers of the Surviving Institution shall serve until their successors are appointed.

10. Dissenters' Rights of Clearfield's Shareholders. The rights and remedies of a dissenting shareholder under the Banking Code and Subchapter D of Chapter 15 of the Pennsylvania Business Corporation Law of 1988, as amended (15 Pa. C.S. §1571, et seq.), shall be afforded to any

12/31/98

holder of Clearfield Common Stock who objects to this Merger and who takes the necessary steps to perfect the rights of a dissenting shareholder, to the extent required under such laws.

11. Effective Date of the Merger. The Effective Date of the Merger shall be as defined and provided for in Section 11.2 of the Reorganization Agreement.

12. Further Assurances. If at any time the Surviving Institution shall consider or be advised that any further assignments, conveyances or assurances are necessary or desirable to vest, perfect or confirm in the Surviving Institution title to any property or rights of Clearfield or CSB, or otherwise carry out the provisions hereof, the proper officers and directors of Clearfield or CSB, as of the Effective Date, on behalf of Clearfield or CSB, respectively, shall execute and deliver any and all proper assignments, conveyances and assurances, and do all things necessary or desirable to vest, perfect or confirm title to such property or rights in the Surviving Institution and otherwise carry out the provisions hereof.

13. Shareholder Approval. This Merger Agreement shall be approved and adopted by the affirmative vote of the shareholders of each Constituent Bank as required by applicable law and by the Constituent Banks' Articles of Incorporation and Bylaws.

14. Termination and Amendment. Notwithstanding prior approval by the respective shareholders of Clearfield and CSB, this Merger Agreement shall be terminated and the Merger shall be abandoned in the event that, prior to the Effective Date, the Reorganization Agreement is terminated, as provided therein. If there is such termination after the delivery of Articles of Merger to the Pennsylvania Department of State, the parties shall execute and file with the Pennsylvania Department of State, prior to the Effective Date, a statement of termination, pursuant to Section 1902 of the Pennsylvania Business Corporation Law of 1988, as amended. Notwithstanding prior approval by the shareholders of Clearfield and CSB, this Agreement may be amended in any respect in the manner and subject only to the limitations set forth in Section 9.3 of the Reorganization Agreement.

15. Counterparts; Headings. This Merger Agreement may be executed in several counterparts, and by the parties hereto on separate counterparts, each of which will constitute an original. The headings and captions contained herein are for reference purposes only and do not constitute a part hereof.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

EXECUTION COPY
12/31/98

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, by their officers thereunto duly authorized, have executed this Merger Agreement as of the day and year first above written.

ATTEST:

CLEARFIELD BANK & TRUST COMPANY

By: William G. [Signature] By: Sherwood C. Moody
Assistant CEO

[BANK SEAL]

ATTEST:

CSB BANK

By: [Signature] By: [Signature]

[BANK SEAL]

December 31, 1998

PENN LAUREL FINANCIAL CORP.

Gentlemen:

The undersigned understands that Penn Laurel Financial Corp. ("Penn Laurel"), is about to enter into an Agreement and Plan of Reorganization (the "Agreement") with Clearfield Bank & Trust Company ("Clearfield"), pursuant to which each of the outstanding shares of Clearfield Common Stock (as defined in the Agreement) will be converted into the right to receive shares of Penn Laurel Common Stock, as defined and specified in the Agreement.

In order to induce Penn Laurel to enter into the proposed transaction, and intending to be legally bound hereby, the undersigned (the "Shareholder") hereby irrevocably:

1. Agrees to be present (in person or by proxy) at all meetings of shareholders of Clearfield, and any adjournment or postponement thereof, as contemplated in the Agreement, and to vote, or cause to be voted, the shares of Clearfield Common Stock as to which the shareholder has or shares voting power, individually or, to the extent of the Shareholder's proportionate interest, jointly with other persons, as set forth herein and described on Schedule A, attached hereto, and incorporated herein by reference in its entirety, as well as other shares of Clearfield Common Stock over which the Shareholder may hereafter acquire beneficial ownership in such capacities (collectively the "Shares") in favor of the Agreement and the transactions contemplated thereby, and shall use his or her best efforts to cause the transactions to be effected. The Shareholder further agrees that he or she will use his or her best efforts to cause any other shares of Clearfield Common Stock over which he or she has or shares voting power to be voted in favor of the Agreement and the proposed transaction.

2. Represents, warrants and agrees that until the earlier of (i) consummation of the transactions contemplated by the Agreement or (ii) the termination of the Agreement in accordance with its terms, the Shareholder will not, directly or indirectly:

(a) vote any of the Shares in favor of, or cause or permit any of the Shares to be voted in favor of, or solicit, initiate or encourage inquiries or proposals from, or participate in any discussions or negotiations with, or provide any information to, any individual, corporation, partnership, or other person, entity or group (other than Penn Laurel or CSB Bank or either of their officers, employees, representatives and agents) concerning, any sale of assets, sale of shares of capital stock, merger,

EXHIBIT B
EXECUTION COPY
12/31/98

consolidation, share exchange, plan of liquidation, reclassification, or similar transactions involving Clearfield, that would have the effect of permitting any person to acquire control over Clearfield, or any substantial portion of Clearfield's assets. As used herein, the term "control" means (i) the ability to direct the voting of 20% or more of the outstanding voting securities of a person having ordinary voting power in the election of directors or in the election of any other body having similar functions or (ii) the ability to direct the management and policies of a person, whether through ownership of securities, through any contract, arrangement or understanding or otherwise;

(b) pledge, hypothecate, grant a security interest in, sell, transfer or otherwise dispose of or encumber any of the Shares, except by gift or to fulfill an already existing charitable pledge, and will not enter into any agreement, arrangement or understanding that would, during that term (i) restrict, (ii) establish a right of first refusal to, or (iii) otherwise relate to the transfer or voting of the Shares; except the pledge, hypothecation or grant of security interest in connection with a renewal of an existing loan, the pledge, hypothecation, grant of security interest, or a transfer or other distribution in connection with a bankruptcy proceeding or a court ordered liquidation, or a transfer or other disposition upon the death of the Shareholder under the laws of descent and distribution;

(c) Vote or execute any written consent to rescind or amend in any manner any prior vote or written consent, as a shareholder of Clearfield, to approve or adopt the Agreement; and

(d) Take any actions with the intent to prevent or hinder the actions contemplated by the Agreement from being consummated.

3. Agrees not to sell, or in any other way reduce the risk of the Shareholder relative to, any shares of common stock of Clearfield or of common stock of Penn Laurel, during the period commencing on the first day of the Price Determination Period and ending on the date on which financial results covering at least thirty (30) days of post-Merger combined operations of Clearfield and Penn Laurel have been published within the meaning of Section 210.01 of the SEC's Codification of Financial Reporting Policies.

4. Agrees that Clearfield will not be bound by any attempted sale of any shares of Clearfield common stock, and Clearfield's transfer agent shall be given an appropriate stop transfer order and shall not be required to register any such attempted sale, unless the sale has been effected in compliance with the terms of this Letter Agreement; and further agrees that the certificate representing shares of Clearfield common stock owned by the Shareholder may be endorsed with a restrictive legend consistent with the terms of this Letter Agreement.

5. Acknowledges and agrees that the provisions of paragraphs 3 and 4 hereof, to the extent the Shareholder can control any of the following persons or entities, also apply to shares of Penn Laurel common stock or Clearfield common stock, whether or not received

in the Merger, for the period referred to in paragraph 3 above, owned by (i) his or her spouse, (ii) any of his or her relatives or relatives of his or her spouse occupying his or her home, (iii) any trust or estate in which he or she, his or her spouse, or any such relative owns at least a 10% beneficial interest or of which any of them serves as trustee, executor or in any similar capacity, and (iv) any corporation or other organization in which the Shareholder, any affiliate of the Shareholder, his or her spouse, or any such relative owns at least 10% of any class of equity securities or of the equity interest.

It is understood and hereby agreed that this Agreement: (i) relates solely to the capacity of Shareholder as a shareholder or beneficial owner of the Shares and is not in any way intended to affect the exercise of Shareholder's responsibilities and fiduciary duties as a director or officer of Clearfield; (ii) shall in all respects be governed by and construed under the laws of the Commonwealth of Pennsylvania, all rights and remedies being governed by such laws; and (iii) shall be binding upon and inure to the benefit of, and shall be enforceable by, the parties hereto and their respective personal representatives, successors and assigns, except that there may be no transfer or assignment of any of the rights or obligations hereunder without the prior written consent of Penn Laurel.

Sincerely,

Sherwood C. Moody
(Signature of Shareholder)
(as owner of 208 shares*)

Sherwood C. Moody
(Print name of Shareholder)

* Describe beneficial ownership of Shareholder on Schedule A attached hereto.

SCHEDULE A

Print or type name of Director or Officer: Sherwood C. Moody

**SHARES
OF
CLEARFIELD FINANCIAL CORP.
COMMON STOCK
BENEFICIALLY OWNED**

As of December 31, 1998

<u>Name(s) of Record Owners</u>	<u>Capacity of Director's/Officer's Beneficial Ownership</u>	<u>Number of Shares</u>
Sherwood C. Moody and MaryAnn Moody, Jt, WROS		208

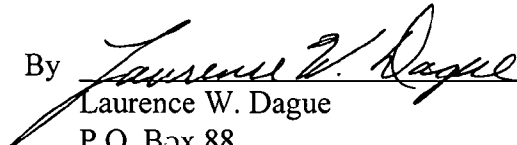
CERTIFICATE OF SERVICE

I, Laurence W. Dague, Esquire, of the law firm of Shumaker Williams, P.C., hereby certify that I served a true and correct copy of the foregoing Praecipe to Attach Exhibits to Complaint on this date by depositing a copy of the same in the possession of the United States mail, first-class mail, postage prepaid, addressed as follows:

Peter F. Smith, Esquire
30 S. Second Street
P.O. Box 130
Clearfield, PA 16830
Attorney for County National Bank

SHUMAKER WILLIAMS, P.C.

Dated: 2/28/02

By 
Laurence W. Dague
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121

PENN LAUREL FINANCIAL CORP.,
and CSB BANK,

Plaintiffs

v.

CLEARFIELD BANK & TRUST
COMPANY, TIMOTHY A. ANONICK,
ANONICK FINANCIAL CORPORATION
and SHERWOOD C. MOODY,

Defendants

: IN THE COURT OF COMMON PLEAS OF
: CLEARFIELD COUNTY, PENNSYLVANIA

: Civil Action No. 00-414-CD

: CIVIL ACTION - LAW

PENN LAUREL FINANCIAL CORP.,
and CSB BANK,

Plaintiffs

v.

CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK

Defendants

: IN THE COURT OF COMMON PLEAS OF
: CLEARFIELD COUNTY, PENNSYLVANIA

: Civil Action No. ~~2001-01376~~ CD

: CIVIL ACTION - LAW

PLAINTIFFS' RESPONSE TO MOTION FOR RECONSIDERATION
OF DEFENDANTS CLEARFIELD BANK & TRUST COMPANY
AND SHERWOOD C. MOODY

NOW COME Plaintiffs by and through their counsel, Shumaker Williams, P.C., to make the following response to the Motion for Reconsideration of this Honorable Court's Order of September 24, 2001, of Defendants Clearfield Bank & Trust Company ("CB&T") and Sherwood C. Moody:

1. Admitted with clarification. This Court certainly has a wide range of discretion to reconsider its prior rulings. However, requests for such reconsideration are generally based upon information that was not available or was not considered when a court entered an order. Defendants Motion is based upon matters which were well known to and considered by the Court, many of which were also previously argued by Defendants at oral argument on September 18, 2001.

FILED

OCT 17 2001

William A. Shaw
Prothonotary

CERTIFICATE OF SERVICE

I, Laurence W. Dague, Esquire, of the law firm of Shumaker Williams, P.C., hereby certify that I served a true and correct copy of the foregoing Plaintiffs' Response to Motion for Reconsideration of Defendants Clearfield Bank & Trust Company and Sherwood C. Moody on this date by depositing a copy of the same in the possession of the United States mail, first-class, postage prepaid, addressed as follows:

Bradley S. Tupi, Esquire
TUCKER ARENSBERG, P.C.
1500 One PPG Place
Pittsburgh, PA 15222
(Attorneys for Clearfield Bank & Trust Company and
Sherwood C. Moody)

Howard L. Kelin, Esquire
KEGEL KELIN ALMY & GRIMM LLP
24 North Lime Street
Lancaster, PA 17602
(Attorneys for Timothy A. Anonick and
Anonick Financial Corporation)

Peter F. Smith, Esquire
30 S. Second Street
P.O. Box 130
Clearfield, PA 16830
(Attorney for CNB Financial Corporation and
County National Bank)

SHUMAKER WILLIAMS, P.C.

Dated: 10/16/01

By Laurence W. Dague
Laurence W. Dague, I.D. #19715
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121

parties in this case. Thus, the federal action **will** go on and is likely to finally resolve **all** of the claims present in this action, but if this action continues, it cannot and will not resolve all of Plaintiffs' claims and will, therefore, only constitute a violation of the principle of judicial economy.

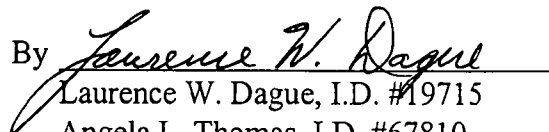
13. Denied. Consolidation is clearly appropriate and in the interests of judicial economy because the facts involved in both cases before this Court are virtually identical. In fact, the Defendants in the more recently filed action, CNB Financial Corporation and County National Bank, are specifically alleged to have been co-conspirators of Defendants Moody, Anonick, and Anonick Financial Corporation in the same conspiracy that gives rise to claims in this case. Not to consolidate such cases would result in an unjustifiable and absurd waste of this Court's resources.

14. Admitted with clarification. Plaintiffs once again note that, while Defendants have made such requests, they have altogether failed to show any reasons for reconsideration, since they have not pointed to any fact that was not known nor argument that was not made prior to this Court's entirely appropriate Order of September 24, 2001.

WHEREFORE, Plaintiffs respectfully request that this Honorable Court deny Defendants' Motion for Reconsideration.

SHUMAKER WILLIAMS, P.C.

Dated: 10/16/01

By 
Laurence W. Dague, I.D. #19715
Angela L. Thomas, I.D. #67810
Melissa A. Swauger, I.D. #82382
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121
Attorneys for Penn Laurel Financial Corp.
and CSB Bank

properly resolved, is whether actions involving the same facts and some of the same issues should be litigated simultaneously in federal court and this Court, a prospect that is clearly contrary to the interests of judicial economy.

10. Denied. The earlier motion for summary judgment was properly adjudicated by this Court, and there is no point in revisiting it, since Defendants fail to point out any issue that was not known, argued, and considered by the Court.

11. Denied. The allegations set forth in the first sentence of this paragraph are erroneous. Furthermore, Defendants appear to be intentionally misstating matters again by wholly ignoring the fact that their arguments concerning a limitation on damages never applied to Plaintiffs' tort claims against Defendants Moody, Anonick, and Anonick Financial Corporation. The allegation that Plaintiffs have filed litigation in federal court because their prospects of success have diminished is ludicrous. Furthermore, if Defendants genuinely believe that Plaintiffs' antitrust claims are without merit for some reasons that they have failed to ever state (even as a response to Plaintiffs' letter of September 7), those arguments **must** be address to the federal court which has exclusive jurisdiction over those claims.

12. Denied. The Court's observation that the federal court is familiar with some of the matters from which this case arises is correct, and Defendants fail to show that observation is inaccurate. However, that familiarity is certainly not the only reason to stay this action pending the outcome of the federal court action. All of the claims in this case are present in the federal court action, but all of the federal claims are not involved in this action and, in fact, cannot be, since this Court would not have jurisdiction to hear Plaintiffs' claims under the Sherman Act. All of the parties in this action are parties in the federal action, but not all of the parties in federal court are

5-7. Denied. Defendants have again chosen to completely ignore rather than respond to Plaintiffs' letter to this Court of August 8, 2001, which not only addressed the Court's March 21 comments and addressed the issue which Defendants allege to be "dispositive" but cited authority directly relating to that matter. Plaintiffs repeated and persistent failure to address the arguments and authority cited therein can be attributable only to the fact that they do not have any basis for disputing those arguments or authority. Therefore, any motion for summary judgment based upon the very issue that Defendants have repeatedly refused to address would be frivolous.

8. Admitted in part and denied in part. The first sentence of this paragraph is admitted, as is the first portion of the second sentence. The allegation that this Court did anything to permit the filing of the federal court action is denied; to the contrary, Plaintiffs had already forwarded the filings in that case to the federal court prior to September 18 and had, in fact, notified Defendants that they would be filing the federal court action by letter on September 4, 2001. That action is certainly not frivolous but is very well-founded, as is demonstrated by Plaintiffs' (again unanswered) letter to counsel of September 7, 2001, which was also forwarded to this Court.

9. Denied. The above responses to paragraphs 2, 4, and 5-7 are incorporated herein by reference. In addition, any "summary judgment on causation" would not be "fatal" to Plaintiffs' federal court action. To the contrary, the federal court action involves statutory claims which are not involved in this action and different parties, even though the facts and some other claims are identical, so no such judgment would constitute "collateral estoppel," as Defendants allege. Furthermore, no such judgment would be final. The instant Motion, in fact, seems to presuppose that the federal court action can be stopped by this Court, which is clearly not the case. Plaintiffs intend to and will pursue the federal court action, and the only question, which this Court has already

2. Admitted in part and denied in part. It is admitted only that discovery has occurred in this case and, therefore, that expenses have been incurred in performing such discovery. The assertion that any expenditures will be "wasted" is ridiculous but nevertheless has been previously argued by Defendants. To the contrary, any discovery which has been undertaken in this action will be of value and will be utilized in the action pending in the United States District Court for the Western District of Pennsylvania denominated Penn Laurel Financial Corporation. et. al. vs. CNB Financial Corporation, et al. (No. 01-293J) (the "federal action"), in which all Defendants in this action are parties. In addition, the "causation issue" to which this paragraph refers is a matter that was discussed at length and in depth in the letter from Plaintiffs' counsel to this Court of August 8, 2001, which demonstrated that Defendants' characterization of such an issue is without any legal foundation. As the Court noted at oral argument on September 18, Defendants never responded to that letter.

3. Admitted in part and denied in part. It is admitted that Defendants make such requests but denied that those requests have any merit.

4. Denied. The argument set forth in this paragraph completely misstates the allegations and arguments of Plaintiffs and, therefore, the nature of this action. The Complaint sets forth Plaintiffs' allegation and causes of action, and Plaintiffs' letter of August 8 elucidates those allegations and causes and sets forth some of the ample evidence which Plaintiffs have compiled to date to support those allegations. The report of Plaintiffs' expert witness, which was forwarded to counsel and the Court under cover of a letter of September 14, 2001, further supports Plaintiffs' claims.

IN THE COURT OF COMMON PLEAS OF CLEARFIELD COUNTY, PENNSYLVANIA
CIVIL ACTION - LAW

PENN LAUREL FINANCIAL CORP.,
and CSB BANK,
Plaintiffs

v.

CLEARFIELD BANK & TRUST
COMPANY, TIMOTHY A. ANONICK,
and ANONICK FINANCIAL
CORPORATION,
Defendants

NO. 00 - 414 - CD

- a n d -

PENN LAUREL FINANCIAL CORP.
and CSB BANK,
Plaintiffs

v.

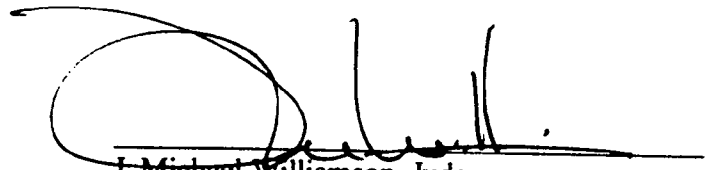
CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK,
Defendants

NO. 01 - 1376 - CD

ORDER

NOW, this 4th day of October, 2001, based upon the attached correspondence, leave is
granted to any party to file a timely Motion for Reconsideration.

BY THE COURT:



J. Michael Williamson, Judge
Specially Presiding
25th Judicial District of Pennsylvania

XC: Laurence W. Dague, Esquire
Bradley S. Tupi, Esquire
Howard L. Kelin, Esquire
Peter F. Smith, Esquire
File Copy to No. 01-1376-CD
Court Administrator

FILED

OCT 09 2001

William A. Shaw
Prothonotary

PETER F. SMITH
ATTORNEY
30 SOUTH SECOND STREET
P.O. BOX 130
CLEARFIELD, PENNSYLVANIA 16830

(814) 765-5595
FAX (814) 765-6682

E-mail
pfsatty@mail.uplink.net

October 1, 2001

Honorable Judge J. Michael Williamson
230 East Water Street
Lock Haven, PA 17745

RE: Penn Laurel v CNB Financial Corp. et al.
Clearfield County Docket No. 01-1376-CD

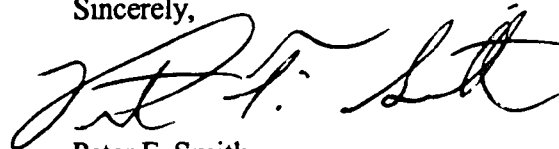
Dear Judge Williamson:

Attorney Dague faxed me a copy of an Order which you entered on September 24th in the Penn Laurel case against Clearfield Bank & Trust Company at Clearfield County Number 00-414-CD. That Order consolidated these two cases and stayed all further proceedings.

I appreciate the scope of the Court's discretion under Pa.R.C.P. 213. Although I am generally aware of developments in the other case, I had not received notice that my case had been assigned, and I received no notice that these issues were under consideration in my clients' case.

My first inclination is to file a Motion for Reconsideration. However, the proceedings are stayed. At the very least, I would like an opportunity to address the Court on these issues. I can be available at the Court's convenience.

Sincerely,



Peter F. Smith

PFS:jac

Mr. William F. Falger, President & CEO, CNB
Laurence W. Dague, Esquire
Howard L. Kelin, Esquire
John E. Graff, Esquire

FILED

NO

M 12:13:01

OCT 09 2001

cc
Orders already
distributed

William A. Shaw
Prothonotary

cc
not



JUDGES CHAMBERS
TWENTY-FIFTH JUDICIAL DISTRICT OF PENNSYLVANIA
LOCK HAVEN, PENNSYLVANIA 17745

J. MICHAEL WILLIAMSON
JUDGE

570-893-4014
FAX 570-893-4126

October 5, 2001

William Shaw, Prothonotary
Clearfield County Courthouse
230 East Market Street
Clearfield, PA 16830

Re: Penn Laurel v. Clearfield Bank and Trust
No. 00 - 414 - CD
Penn Laurel v. CNB Financial Corporation
No. 01 - 1376 - CD

Dear Mr. Shaw:

Please file the enclosed Order in the above referenced matters. All copies
have been distributed.

Thank you.

Very truly yours,

A handwritten signature in cursive script that reads "Carol E. Miller".

Carol E. Miller
Secretary to Judge Williamson

Enclosure

ORIGINAL

Shumaker Williams, P.C.

ATTORNEYS AT LAW

P.O. BOX 88 HARRISBURG, PENNSYLVANIA 17108

PENN LAUREL FINANCIAL CORP.,
and CSB BANK,

Plaintiffs

v.

CLEARFIELD BANK & TRUST
COMPANY, TIMOTHY A. ANONICK,
ANONICK FINANCIAL CORPORATION
and SHERWOOD C. MOODY,

Defendants

: IN THE COURT OF COMMON PLEAS OF
: CLEARFIELD COUNTY, PENNSYLVANIA

:
:
: Civil Action No. 00-414-CD

:
: CIVIL ACTION - LAW

PENN LAUREL FINANCIAL CORP.,
and CSB BANK,

Plaintiffs

v.

CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK

Defendants

: IN THE COURT OF COMMON PLEAS OF
: CLEARFIELD COUNTY, PENNSYLVANIA

:
:
: Civil Action No. 2001-01376-CD

:
: CIVIL ACTION - LAW

**PLAINTIFFS' RESPONSE TO MOTION FOR
RECONSIDERATION OF DEFENDANTS TIMOTHY A. ANONICK
AND ANONICK FINANCIAL CORPORATION**

NOW COME Plaintiffs by and through their counsel, Shumaker Williams, P.C., to make the response set forth below to the Motion for Reconsideration of this Honorable Court's Order of September 24, 2001, of Defendants Timothy A. Anonick and Anonick Financial Corporation (the "Anonick Defendants"). In addition, Plaintiffs incorporate herein by reference their Response to Motion for Reconsideration of Defendants Clearfield Bank & Trust Company and Moody ("Response to CB&T").

FILED

OCT 17 2001

William A. Shaw
Prothonotary

1-2. Denied. Paragraphs 2, 4, and 5-7 of the Response to CB&T are incorporated herein by reference. In addition, the Anonick Defendants have never responded to Plaintiffs' letter of August 8, 2001, and their failure to address the arguments and authority cited therein even while troubling this Court with a Motion for Reconsideration which is premised on a position completely contrary to those arguments and authority demonstrates at once both the correctness of Plaintiffs' position and the lack of merit of the instant Motion.

3. Denied. No discovery deadline has ever been established by this Court. Furthermore, if the Stay established by the Court's Order of September 24 is lifted, the two Motions to Compel Discovery which were filed by Plaintiffs and on which oral argument was presented on September 18, 2001, would then have to be determined. In addition, after Plaintiffs receive whatever documents are produced as a result of those Motions to Compel, they would then have to take the depositions of the witnesses who were identified in their letter to counsel of July 10, 2001. The assertion that this Court should reconsider its decision is also denied; to the contrary, the Anonick Defendants have altogether failed to show any reasons for reconsideration, since they have not pointed to any fact that was not known nor argument that was not made prior to this Court's entirely appropriate Order of September 24. The assertions that the parties "... will not need to incur additional costs relitigating such claims in Penn Laurel's new federal action" is denied; to the contrary, paragraphs 2, 8, 9, and 12 of the CB&T Response are incorporated herein by reference. The federal action will be pursued regardless of the disposition of the instant Motion or of any motion for summary judgment which

Defendants have been proposing to file for months but which they never filed despite the fact that they could have done so at any time prior to the Court's Order of September 24.

WHEREFORE, Plaintiffs respectfully request that this Honorable Court deny the Motion for Reconsideration of Defendants Timothy A. Anonick and Anonick Financial Corporation.

SHUMAKER WILLIAMS, P.C.

Dated: 10/16/01

By Laurence W. Dague
Laurence W. Dague, I.D. #19715
Angela L. Thomas, I.D. #67810
Melissa A. Swauger, I.D. #82382
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121

Attorneys for Penn Laurel Financial Corp.
and CSB Bank

:136199

CERTIFICATE OF SERVICE

I, Laurence W. Dague, Esquire, of the law firm of Shumaker Williams, P.C., hereby certify that I served a true and correct copy of the foregoing Plaintiffs' Response to Motion for Reconsideration of Defendants Timothy A. Anonick and Anonick Financial Corporation on this date by depositing a copy of the same in the possession of the United States mail, first-class, postage prepaid, addressed as follows:

Bradley S. Tupi, Esquire
TUCKER ARENSBERG, P.C.
1500 One PPG Place
Pittsburgh, PA 15222
(Attorneys for Clearfield Bank & Trust Company and
Sherwood C. Moody)

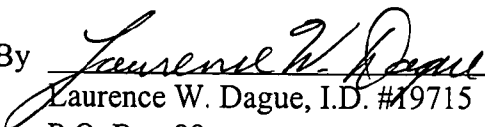
Howard L. Kelin, Esquire
KEGEL KELIN ALMY & GRIMM LLP
24 North Lime Street
Lancaster, PA 17602
(Attorneys for Timothy A. Anonick and
Anonick Financial Corporation)

Peter F. Smith, Esquire
30 S. Second Street
P.O. Box 130
Clearfield, PA 16830
(Attorney for CNB Financial Corporation and
County National Bank)

SHUMAKER WILLIAMS, P.C.

Dated: 10/16/01

By


Laurence W. Dague, I.D. #19715
P.O. Box 88
Harrisburg, PA 17108
(717) 763-1121

IN THE COURT OF COMMON PLEAS, CLEARFIELD COUNTY, PENNSYLVANIA
CIVIL COURT DIVISION

PENN LAUREL FINANCIAL CORP. and
CSB BANK

Plaintiffs

No. 00-414-CD

vs.

CLEARFIELD BANK & TRUST,
COMPANY, TIMOTHY A. ANONICK,
and ANONICK FINANCIAL CORPORATION

Defendants

vs.

-and-

PENN LAUREL FINANCIAL CORP.
and CSB BANK,

Plaintiffs

No. 01-1376-CD

vs.

CNB FINANCIAL CORPORATION and
COUNTY NATIONAL BANK

Defendants

CERTIFICATE OF SERVICE

I, Peter F. Smith, attorney for COUNTY NATIONAL BANK and CNB FINANCIAL CORPORATION, Defendants in the above-captioned matter, certify that I sent by First Class Mail, postage prepaid, a true and correct copies of their Motion to reconsider as follows:

Laurence W. Dague
P.O. Box 88
Harrisburg, PA 17108
Counsel for Plaintiffs

Bradley S. Tupi
One PPG PI Suite 1500
Pittsburgh, PA 15222-5401
Counsel for Clearfield Bank & Trust Co.
and Sherwood Moody

FILED

OCT 17 2001

0/3:20/m
William A. Shaw
Prothonotary

NO C/L

(Signature)

IN THE COURT OF COMMON PLEAS OF CLEARFIELD COUNTY, PENNSYLVANIA
CIVIL ACTION - LAW

PENN LAUREL FINANCIAL CORP.,)
and CSB BANK,)
Plaintiffs)

v.) NO. 00 - 414 - CD

CLEARFIELD BANK & TRUST)
COMPANY, TIMOTHY A. ANONICK,)
and ANONICK FINANCIAL)
CORPORATION,)
Defendants)

FILED

- and -

PENN LAUREL FINANCIAL CORP.)
and CSB BANK,)
Plaintiffs)

v.) NO. 01 - 1376 - CD

CNB FINANCIAL CORPORATION and)
COUNTY NATIONAL BANK,)
Defendants)

OCT 19 2001
012535 No. C
William A. Shaw
Prothonotary

ORDER

NOW, this 17th day of October, 2001, after considering the Motions for Reconsideration filed by Anonick, Clearfield, and Moody, IT IS HEREBY ORDERED as follows:

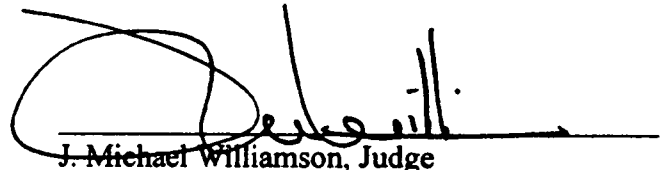
1. The Motions for Reconsideration are DENIED and the Order of September 24, 2001, is affirmed.

MICHAEL WILLIAMSON
JUDGE

COURT OF COMMON PLEAS
25TH JUDICIAL DISTRICT
OF PENNSYLVANIA
COURT HOUSE
LOCK HAVEN, PA 17745

2. The September 24, 2001, Order shall also be entered with respect to the matter of Penn Laurel Financial Corporation, et al. v. CNB Financial Corporation, et al. to No. 01-1376-CD, a matter which we assume has been assigned to us through the Administrative Unit.

BY THE COURT:

A handwritten signature in black ink, appearing to read "J. Michael Williamson", is written over a horizontal line.

J. Michael Williamson, Judge
Specially Presiding
25th Judicial District of Pennsylvania

xc: Laurence W. Dague, Esquire
Bradley S. Tupi, Esquire
Howard L. Kelin, Esquire
Peter F. Smith, Esquire
✓ File Copy to No. 01-1376-CD
Court Administrator

MICHAEL WILLIAMSON
JUDGE
—
COURT OF COMMON PLEAS
25TH JUDICIAL DISTRICT
OF PENNSYLVANIA
COURT HOUSE
LOCK HAVEN, PA 17745