

K45359

DEPARTMENT OF STATE
ACCOUNT FILING COVER SHEET

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ACCOUNT NUMBER: FCA-000000017

REFERENCE:
(Sub Account)

DEPARTMENT OF STATE
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

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****122.50 ****122.50

DATE: 8/31/98

REQUESTOR NAME: CARLTON FIELDS

ADDRESS: P. O. BOX 190

TALLAHASSEE, FL 32302

TELEPHONE: (850) 224-1585

CONTACT NAME: AILSA

CORPORATION NAME: Citizens Holding Corporation
and
Southwest Banks Inc.

ENTITY NUMBER: S 76862 and K45359
(if applicable)

AUTHORIZATION: Ailsa Anelbeta

<input checked="" type="checkbox"/> Certified Copy (1-40)	<input type="checkbox"/> UCC'S	<input type="checkbox"/> Certificate of Status
<input checked="" type="checkbox"/> New Filings	<input type="checkbox"/> Plain Stamped Copy	<input type="checkbox"/> Annual Report
<input type="checkbox"/> Fictitious Name	<input type="checkbox"/> Amendments	<input type="checkbox"/> Registration
<input type="checkbox"/> Call When Ready	<input checked="" type="checkbox"/> Call if Problem	<input type="checkbox"/> After 4:30
<input checked="" type="checkbox"/> Walk In	<input type="checkbox"/> Will Wait	<input type="checkbox"/> Pick Up
<input type="checkbox"/> Mail Out		

Y#58890.1

Merger — Citizens Holding Corp.
(S76862) into Southwest Banks, Inc.
(K45359).

FILED
98 AUG 31 PM 4:25
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ARTICLES OF MERGER
Merger Sheet

MERGING:

CITIZENS HOLDING CORPORATION, a Florida corporation, S76862

INTO

SOUTHWEST BANKS, INC., a Florida corporation, K45359

File date: August 31, 1998

Corporate Specialist: Teresa Brown

ARTICLES OF MERGER
OF
CITIZENS HOLDING CORPORATION
(a Florida corporation)
AND
SOUTHWEST BANKS, INC.
(a Florida corporation)

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Pursuant to the provisions of Section 607.1105 of the Florida Business Corporation Act, these Articles of Merger provide that:

Article I

Name of Surviving Corporation

Citizens Holding Corporation, a Florida corporation ("Citizens"), shall be merged with and into Southwest Banks, Inc., a Florida corporation ("Southwest"), and Southwest shall be the surviving corporation.

Article II

Plan of Merger

The Agreement and Plan of Merger is attached hereto as Exhibit "A".

Article III

Effective Date of Merger

The Articles of Merger and the Merger shall become effective as of August 31, 1998 (the "Effective Time").

Article IV

Approval of Merger

The Agreement and Plan of Merger dated April 6, 1998, as amended on July 7, 1998, pursuant to which Citizens shall be merged with and into Southwest (the "Merger"), was adopted by and unanimously approved, in accordance with Florida law, by the Board of Directors of Citizens and the Board of Directors voted to submit the Merger to a vote of Citizens shareholders with a unanimous recommendation that the Merger be approved. The Merger, having been so submitted to the Citizens shareholders, was adopted by the shareholders of Citizens at a special shareholders' meeting on August 25, 1998, called for that purpose.

In accordance with Florida law, the Merger was adopted by the Board of Directors of Southwest on April 13, 1998 and by the sole shareholder of Southwest on March 23, 1998.

IN WITNESS WHEREOF, these Articles of Merger have been executed on behalf of Citizens and Southwest by their authorized officers as of August 31, 1998.

CITIZENS HOLDING CORPORATION

By: 

Name: David P. Stone

Title: President and Chief Executive Officer

SOUTHWEST BANKS, INC.

By: 

Name: Gary L. Tice

Title: Chairman of the Board,
President and Chief Executive Officer

EXHIBIT A

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

F.N.B. CORPORATION,

SOUTHWEST BANKS, INC.

AND

CITIZENS HOLDING CORPORATION

Dated as of April 6, 1998

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LIST OF EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
1.	Form of Stock Option Agreement (Section 1.4).
2.	Form of agreement of affiliates of Citizens Holding Corporation (Section 8.14).
3.	Form of Directors' Non-Compete Agreement (Section 9.2)

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of April 6, 1998, by and among F.N.B. CORPORATION ("FNB"), a Pennsylvania corporation having its principal office located in Hermitage, Pennsylvania; SOUTHWEST BANKS, INC. ("Southwest"), a Florida corporation having its principal office located in Naples, Florida, and a wholly owned subsidiary of FNB; and CITIZENS HOLDING CORPORATION ("CHC"), a Florida corporation having its principal office located in Clearwater, Florida.

PREAMBLE

The Boards of Directors of CHC and FNB are of the opinion that the acquisition described herein is in the best interests of the parties and their respective shareholders. This Agreement provides for the acquisition of CHC by FNB pursuant to the merger of CHC with and into Southwest (the "Merger"). At the effective time of such Merger, the outstanding shares of the capital stock of CHC shall be converted into the right to receive shares of the common stock of FNB (except as provided herein). As a result, shareholders of CHC shall become shareholders of FNB. Immediately upon consummation of the Merger, Citizens Bank & Trust, a wholly owned subsidiary of CHC, shall be merged into First National Bank of Florida, a wholly owned subsidiary of Southwest. The transactions described in this Agreement are subject to the approvals of the shareholders of CHC, the Board of Governors of the Federal Reserve System, the Florida Department of Banking and Finance, and the satisfaction of certain other conditions described in this Agreement. It is the intention of the parties to this Agreement that the Merger for federal income tax purposes shall qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, and for accounting purposes shall qualify for treatment as a pooling of interests.

Contemporaneously with the execution and delivery of this Agreement, as a condition and inducement to FNB's willingness to enter into this Agreement, CHC and FNB are entering into a stock option agreement (the "Stock Option Agreement"), in substantially the form of Exhibit 1, pursuant to which CHC is granting to FNB an option to purchase shares of CHC Common Stock.

Certain terms used in this Agreement are defined in Section 11.1 of this Agreement.

NOW, THEREFORE, in consideration of the above and the mutual warranties, representations, covenants, and agreements set forth herein, the parties agree as follows:

ARTICLE 1

TRANSACTIONS AND TERMS OF MERGER

1.1 *Merger.* Subject to the terms and conditions of this Agreement, at the Effective Time, CHC shall be merged with and into Southwest in accordance with the provisions of the FBCA. At the Effective Time, the separate existence of CHC shall cease, and Southwest, which shall remain a wholly-owned subsidiary of FNB, shall be the Surviving Corporation resulting from the Merger and shall continue to be governed by the Laws of the State of Florida. From and after the Effective Time, the Merger shall have the effects specified in the FBCA. The Merger shall be consummated pursuant to the terms of this Agreement, which has been approved and adopted by the respective Boards of Directors of CHC, FNB, and Southwest.

1.2 *Time and Place of Closing.* The closing of the transactions contemplated by this Agreement (the "Closing"), including the Merger, shall take place at 10:00 A.M., local time, on a date

specified by the Parties as they, acting through their chief executive officers or chief financial officers, may mutually agree. Subject to the terms and conditions hereof, unless mutually agreed upon in writing by each Party, the Parties shall use their reasonable best efforts to cause the Closing to occur on, but not prior to, the fifth business day following the Determination Date.

1.3 *Effective Time.* The Merger and other transactions contemplated by this Agreement shall become effective on the date and at the time (the "Effective Time") on which the Florida Articles of Merger containing the provisions required by, and executed in accordance with, the FBCA shall have been accepted for filing by the Secretary of State, State of Florida, or such later date and time as is agreed in writing by FNB and CHC and specified in the Florida Articles of Merger. Unless FNB and CHC otherwise mutually agree in writing, the Parties to this Agreement shall use their best efforts to cause the Effective Time occur on the date of Closing.

1.4 *Execution of Stock Option Agreement.* Concurrently with the execution and delivery of this Agreement, and as a condition thereto, CHC is executing and delivering to FNB the Stock Option Agreement.

ARTICLE 2

TERMS OF MERGER

2.1 *Articles of Incorporation.* Pursuant to the Merger, the Articles of Incorporation of Southwest in effect at the Effective Time shall be the Articles of Incorporation of the Surviving Corporation until otherwise amended or repealed in accordance with applicable Law.

2.2 *Bylaws.* Pursuant to the Merger, the Bylaws of Southwest in effect at the Effective Time shall be the Bylaws of the Surviving Corporation until otherwise amended or repealed in accordance with applicable Law.

2.3 *Directors.* Upon the Effective Time, the directors of CHC shall be elected as directors of First National Bank of Florida for a term of one year and FNB shall cause directors fees to be paid to such individuals for such term in an amount at least equal to the amount currently paid to the CHC directors.

ARTICLE 3

MANNER OF CONVERTING SHARES

3.1 *Conversion of Shares.* Subject to the provisions of this Article 3, at the Effective Time, by virtue of the Merger and without any action on the part of FNB, Southwest or CHC, or the shareholders of any of the foregoing, the shares of the constituent corporations shall be converted as follows:

(a) Each of the Surviving Corporation common shares issued and outstanding immediately prior to the Effective Time shall remain outstanding and issued entirely to FNB.

(b) Each share of FNB Capital Stock issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding from and after the Effective Time.

(c) Except for CHC Common Shares issued and outstanding immediately prior to the Effective Time as to which dissenters' rights have been perfected and not withdrawn, and subject

to Section 3.4 relating to fractional shares, each CHC Common Share (excluding shares to be cancelled pursuant to Section 3.3 of this Agreement) issued and outstanding at the Effective Time shall cease to be outstanding and shall be converted into and exchanged for 1.515 shares of FNB Common Stock (the "Exchange Ratio").

(d) If the Designated Price of FNB Common Stock shall be less than \$34.125, then CHC may, at any time during the period commencing on the Determination Date and ending at the close of business five (5) business days thereafter, terminate the Agreement pursuant to Section 10.1(g) hereof.

(e) Notwithstanding Section 3.1(c) of this Agreement, CHC Common Shares issued and outstanding at the Effective Time which is held by a holder who has not voted in favor of the Merger and who has demanded payment for such shares in accordance with Section 607.1320 of the FBCA ("Dissenting CHC Shares") shall not be converted into or represent the right to receive the FNB Common Stock payable thereon pursuant to Section 3.1(c) of this Agreement, and shall be entitled only to such rights of appraisal as are granted by Section 607.1320 of the FBCA ("Dissent Provisions"), unless and until such holder fails to perfect or effectively withdraws or otherwise loses his right to appraisal. If after the Effective Time any such holder fails to perfect or effectively withdraws or loses his right to appraisal, such CHC Common Shares shall be treated as if they had been converted at the Effective Time into the right to receive the FNB Common Stock payable thereon pursuant to Section 3.1(c) of this Agreement. CHC shall give FNB prompt notice upon receipt by CHC of any written objection to the Merger and such written demands for payment on CHC Common Shares under the Dissent Provisions, and the withdrawals of such demands, and any other instruments provided to CHC pursuant to the Dissent Provisions (any shareholder duly making such demand being hereinafter called a "Dissenting Shareholder"). Each Dissenting Shareholder that becomes entitled, pursuant to the Dissent Provisions, to payment for any CHC Common Shares held by such Dissenting Shareholder shall receive payment therefore from FNB (but only after the amount thereof shall have been agreed upon or at the times and in the amounts required by the Dissent Provisions) and all of such Dissenting Shareholders CHC Common Shares shall be cancelled. CHC shall not, except with the prior written consent of FNB, voluntarily make any payment with respect to, or settle or offer to settle, any demand for payment by any Dissenting Shareholder.

3.2 *Anti-Dilution Provisions.* In the event FNB changes the number of shares of FNB Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, or similar transaction with respect to such stock and the record date therefor (in the case of a stock dividend) or the effective date thereof (in the case of a stock split or similar recapitalization for which a record date is not established) shall be prior to the Effective Time, the Exchange Ratio shall be proportionately adjusted so as to prevent the dilutive effect of such transaction on a percentage of ownership basis; provided, however, that the Exchange Ratio shall not be adjusted in connection with the 5% stock dividend to be declared by FNB to shareholders of record on or about April 10, 1998.

3.3 *Shares Held by CHC or FNB.* Each of the CHC Common Shares, if any, held by any CHC Company or by any FNB Company, in each case other than in a fiduciary capacity or as a result of debts previously contracted, shall be canceled and retired at the Effective Time and no consideration shall be issued in exchange therefor.

3.4 *Fractional Shares.* Notwithstanding any other provision of this Agreement, each holder of CHC Common Shares exchanged pursuant to the Merger who would otherwise have been entitled to

receive a fraction of a share of FNB Common Stock (after taking into account all certificates delivered by such holder) shall receive, in lieu thereof, cash (without interest) in an amount equal to such fractional part of a share of FNB Common Stock multiplied by the "market price" of one share of FNB Common Stock at the Closing. The market price of one share of FNB Common Stock at the Effective Time shall be the closing trade price of such common stock, as reported by Nasdaq (or, if not reported thereby, any other authoritative source selected by FNB) on the last trading day preceding the Closing. No such holder will be entitled to dividends, voting rights, or any other rights as a shareholder in respect of any fractional shares.

3.5 *Treatment of Options and Warrants.*

(a) At the Effective Time, each award, option or other right to purchase or acquire CHC Common Stock (collectively, the "CHC Options") pursuant to stock awards, stock options, stock appreciation rights, or other benefits granted by CHC pursuant to any employee stock option plan or other arrangement of CHC ("CHC Stock Plan"), which CHC Options are outstanding at the Effective Time of the Merger, whether or not such CHC Options are then vested or exercisable, shall be converted into and become rights with respect to FNB Common Stock, and FNB shall assume each CHC Option, in accordance with the terms of the CHC Stock Plan, Stock Option agreement, or warrant agreement by which it is evidenced, except that from and after the Effective Time (i) FNB and its Compensation Committee shall be substituted for CHC and the compensation committee of CHC's Board of Directors, including, if applicable, the entire Board of Directors of CHC, administering such CHC Stock Plan, (ii) each CHC Option assumed by FNB may be exercised solely for shares of FNB Common Stock, (iii) the number of shares of FNB Common Stock subject to each such CHC Option shall be equal to the number of shares of CHC Common Stock subject to each such CHC Option immediately prior to the Effective Time times the Exchange Ratio, and (iv) the per share exercise price under each such CHC Option will be adjusted by dividing the per share exercise price under each such CHC Option by the Exchange Ratio and rounding up to the nearest cent. Notwithstanding the provisions of clause (iii) of the preceding sentence, FNB shall not be obligated to issue any fraction of a share of FNB Common Stock upon exercise of CHC Options and any fraction of a share of FNB Common Stock that otherwise would be subject to a converted CHC Option shall represent the right to receive a cash payment equal to the product of such fraction and the difference between the market value of one share of FNB Common Stock and the per share exercise price of such Option. Notwithstanding the provisions and clauses (iii) and (iv) of this Section 3.5(a), each CHC Option which is an "incentive stock option" shall be adjusted as required by Section 424 of the Internal Revenue Code, and the regulations promulgated thereunder, so as not to constitute a modification, extension, or renewal of the option within the meaning of Section 424(h) of the Internal Revenue Code. CHC and FNB agree to take all necessary steps to effectuate the foregoing provisions of this Section 3.5.

(b) As soon as practicable after the Effective Time, FNB shall deliver to the participants in each CHC Stock Plan an appropriate notice setting forth such participant's rights pursuant thereto and the grants pursuant to such CHC Stock Plan shall continue in effect on the same terms and conditions (subject to the adjustments required by Section 3.5(a) of this Agreement after giving effect to the Merger), and FNB shall comply with the terms of each CHC Stock Plan to ensure, to the extent required by, and subject to the provisions of, such CHC Stock Plan, that CHC Options which qualified as incentive stock options prior to the Effective Time continue to qualify as incentive stock options after the Effective Time. At or prior to the Effective Time, FNB shall take all corporate action necessary to reserve for issuance sufficient shares of FNB Common Stock for delivery upon exercise of CHC Options assumed by it in accordance with this

Section 3.5. As soon as practicable after the Effective Time, FNB shall file a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), with respect to the shares of FNB Common Stock subject to such CHC Options and shall use its reasonable efforts to maintain the effectiveness of such registration statement (and maintain the current status of the prospectus or the prospectuses contained therein), for so long as such options remain outstanding. With respect to individuals who subsequent to the Merger will be subject to the reporting requirements under Section 16(a) of the 1934 Act, where applicable, FNB shall administer the CHC Stock Plan assumed pursuant to this Section 3.5 in a manner which complies with Rule 16b-3 promulgated under the 1934 Act to the extent the CHC Stock Plan complied with such Rule prior to the Merger.

(c) All restrictions or limitations on transfer with respect to the CHC Common Stock awarded under the CHC Stock Plan or any other plan, program, or arrangement of CHC, to the extent that such restrictions or limitations shall not have already lapsed, and except as otherwise expressly provided in such plan, program, or arrangement, shall remain in full force and effect.

ARTICLE 4

EXCHANGE OF SHARES

4.1 *Exchange Procedures.* At the Effective Time, FNB shall deposit, or shall cause to be deposited, with the Exchange Agent selected by FNB (the "Exchange Agent") certificates evidencing shares of FNB Common Stock and cash in such amounts necessary to provide all consideration required to be exchanged by FNB for CHC Common Shares pursuant to the terms of this Agreement. Promptly after the Effective Time, FNB shall cause the Exchange Agent to mail to the former shareholders of CHC appropriate transmittal materials (which shall specify that delivery shall be effected, and risk of loss and title to the certificates theretofore representing shares of CHC Common Shares shall pass, only upon proper delivery of such certificates to the Exchange Agent). After the Effective Time, each holder of shares of CHC Common Shares (other than shares to be canceled pursuant to Section 3.3 of this Agreement) issued and outstanding at the Effective Time shall surrender the certificate or certificates representing such shares to the Exchange Agent and shall upon surrender thereof promptly receive in exchange therefor the consideration provided in Section 3.1 of this Agreement, together with all declared but undelivered dividends or distributions in respect of such shares (without interest thereon) pursuant to Section 4.2 of this Agreement. To the extent required by Section 3.4 of this Agreement, each holder of CHC Common Shares issued and outstanding at the Effective Time also shall receive, upon surrender of the certificate or certificates representing such shares, cash in lieu of any fractional share of FNB Common Shares to which such holder may be otherwise entitled (without interest). FNB shall not be obligated to deliver the consideration to which any former holder of CHC Common Shares is entitled as a result of the Merger until such holder surrenders such holder's certificate or certificates representing the CHC Common Shares for exchange as provided in this Section 4.1. The certificate or certificates of CHC Common Shares so surrendered shall be duly endorsed as the Exchange Agent may require. Any other provision of this Agreement notwithstanding, neither FNB nor the Exchange Agent shall be liable to a holder of CHC Common Shares for any amounts paid or property delivered in good faith to a public official pursuant to any applicable abandoned property Law.

4.2 *Rights of Former CHC Shareholders.* At the Effective Time, the stock transfer books of CHC shall be closed as to holders of CHC Common Shares immediately prior to the Effective Time and no transfers of CHC Common Shares by any such holder shall thereafter be made or recognized. Until surrendered for exchange in accordance with the provisions of Section 4.1 of this Agreement, each certificate theretofore representing CHC Common Shares (other than shares as to which dissenters' rights

have been perfected under the Dissent Provisions and not withdrawn, and other than shares to be canceled pursuant to Section 3.3 of this Agreement) shall from and after the Effective Time represent for all purposes only the right to receive the consideration provided in Sections 3.1 and 3.4 of this Agreement in exchange therefor, subject, however, to FNB's obligation to pay any dividends or make any other distributions with a record date prior to the Effective Time which have been declared or made by CHC in respect of such CHC Common Shares in accordance with the terms of this Agreement and which remain unpaid at the Effective Time. Until 90 days after the Effective Time, former shareholders of record of CHC shall be entitled to vote at any meeting of FNB stockholders the number of shares of FNB Common Stock into which their respective CHC Common Shares are converted, regardless of whether such holders have exchanged their certificates representing CHC Common Shares for certificates representing FNB Common Stock in accordance with the provisions of this Agreement. Whenever a dividend or other distribution is declared by FNB on the FNB Common Stock, the record date for which is at or after the Effective Time, the declaration shall include dividends or other distributions on all shares issuable pursuant to this Agreement, but beginning 30 days after the Effective Time no dividend or other distribution payable to the holders of record of FNB Common Stock as of any time subsequent to the Effective Time shall be delivered to the holder of any certificate representing shares of CHC Common Shares issued and outstanding at the Effective Time until such holder surrenders such certificate for exchange as provided in Section 4.1 of this Agreement. However, upon surrender of such CHC Common Shares certificate, both the FNB Common Stock certificate (together with all such undelivered dividends or other distributions without interest) and any undelivered dividends and cash payments to be paid for fractional share interests (without interest) shall be delivered and paid with respect to each share represented by such certificate. Any portion of the consideration (including the proceeds of any investments thereof) which had been made available to the Exchange Agent pursuant to Section 4.1 of this Agreement that remain unclaimed by the shareholders of CHC for six months after the Effective Time shall be paid to FNB. Any shareholders of CHC who have not theretofore complied with this Article 4 shall thereafter look only to FNB for payment of their shares of FNB Common Stock, cash in lieu of fractional shares, and unpaid dividends and distributions on the FNB Common Stock deliverable in respect of each CHC Common Share such shareholder holds as determined pursuant to this Agreement, in each case, without any interest thereon.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF CHC

CHC hereby represents and warrants to FNB as follows:

5.1 Organization, Standing, and Power. CHC is a corporation duly organized, validly existing, and in active status under the laws of the State of Florida, and has the corporate power and authority to carry on its business as now conducted and to own, lease, and operate its material Assets. CHC is duly qualified or licensed to transact business as a foreign corporation and is in good standing in each jurisdiction where the character of its Assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on the CHC and its Subsidiaries taken as a whole.

5.2 *Authority; No Breach by Agreement.*

(a) CHC has the corporate power and authority necessary to execute and deliver this Agreement and, subject to the approval and adoption of this Agreement by the shareholders of CHC, to perform its obligations under this Agreement and consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement by CHC and the consummation by CHC of the transactions contemplated herein, including the Merger, have been duly and validly authorized by all necessary corporate action in respect thereof on the part of CHC, subject to the approval of this Agreement by its shareholders as contemplated by Section 8.1 of this Agreement. Subject to such requisite shareholder approval (and assuming due authorization, execution and delivery by FNB and Southwest) and to such Consents of Regulatory Authorities as required by applicable law, this Agreement represents a legal, valid, and binding obligation of CHC, enforceable against CHC in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought). The CHC Board of Directors has received from Allen C. Ewing & Co. a letter dated as of the date of this Agreement to the effect that, in the opinion of such firm, the Exchange Ratio is fair, from a financial point of view, to the holders of CHC Common Shares.

(b) Except as disclosed in Section 5.2 of the CHC Disclosure Memorandum, neither the execution and delivery of this Agreement by CHC, nor the consummation by CHC of the transactions contemplated hereby, nor compliance by CHC with any of the provisions hereof, will (i) conflict with or result in a breach of any provision of CHC's Articles of Incorporation or Bylaws, or, (ii) constitute or result in a Default under, or require any Consent pursuant to, or result in the creation of any Lien on any material Asset of any CHC Company under, any Contract or Permit of any CHC Company, where such Default or Lien, or any failure to obtain such Consent, is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, or, (iii) subject to receipt of the requisite Consents referred to in Section 9.1(a), (b), and (c) of this Agreement, violate any Order, or to its Knowledge, any Law applicable to any CHC Company or any of their respective material Assets which will have a Material Adverse Effect on CHC and the Subsidiaries taken as a whole.

(c) Other than in connection or compliance with the provisions of the Securities Laws, applicable state corporate and securities Laws, and rules of the Nasdaq, and other than Consents required from Regulatory Authorities, and other than notices to or filings with the Internal Revenue Service or the Pension Benefit Guaranty Corporation with respect to any employee benefit plans, or under the HSR Act, and other than Consents, filings, or notifications which, if not obtained or made, are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and the Subsidiaries taken as a whole, no notice to, filing with, or Consent of, any public body or authority is necessary for the consummation by CHC of the Merger and the other transactions contemplated in this Agreement.

5.3 *Capital Stock.*

(a) The authorized capital stock of CHC consists of (i) 2,000,000 CHC Common Shares, of which 580,795 shares are issued and outstanding as of the date of this Agreement and not more than 676,795 shares will be issued and outstanding at the Effective Time, and (ii) 2,000,000 shares of preferred stock, par value \$0.10 per share, none of which is issued and outstanding. All of the

issued and outstanding shares of capital stock of CHC are duly and validly issued and outstanding and are fully paid and nonassessable under the FBCA. None of the outstanding shares of capital stock of CHC has been issued in violation of any preemptive rights. CHC has reserved 100,000 CHC Common Shares for issuance under the CHC Stock Plans, pursuant to which options and warrants to purchase not more than 96,000 CHC Common Shares are outstanding.

(b) Except as set forth in Section 5.3(a) of this Agreement, or as provided pursuant to the Stock Option Agreement, there are no shares of capital stock or other equity securities of CHC outstanding and no outstanding Rights relating to the capital stock of CHC.

5.4 *CHC Subsidiaries.* CHC has disclosed in Section 5.4 of the CHC Disclosure Memorandum all of the CHC Subsidiaries as of the date of this Agreement. Except as disclosed in Section 5.4 of the CHC Disclosure Memorandum, CHC or one of its Subsidiaries owns all of the issued and outstanding shares of capital stock of each CHC Subsidiary. No equity securities of any CHC Subsidiary are or may become required to be issued (other than to another CHC Company) by reason of any Rights, and there are no Contracts by which any CHC Subsidiary is bound to issue (other than to another CHC Company) additional shares of its capital stock or Rights or by which any CHC Company is or may be bound to transfer any shares of the capital stock of any CHC Subsidiary (other than to another CHC Company). There are no Contracts relating to the rights of any CHC Company to vote or to dispose of any shares of the capital stock of any CHC Subsidiary. All of the shares of capital stock of each CHC Subsidiary held by a CHC Company are fully paid and nonassessable under the applicable corporation Law of the jurisdiction in which such Subsidiary is incorporated or organized and, except as set forth in Section 5.4 of the CHC Disclosure Memorandum, are owned by the CHC Company free and clear of any Lien. Each CHC Subsidiary is either a bank or a corporation, and is duly organized, validly existing, and (as to corporations) in good standing under the Laws of the jurisdiction in which it is incorporated or organized, and has the corporate power and authority necessary for it to own, lease, and operate its Assets and to carry on its business as now conducted. Each CHC Subsidiary is duly qualified or licensed to transact business as a foreign corporation in good standing in each jurisdiction where the character of its Assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole. Each CHC Subsidiary that is a depository institution is an "insured institution" as defined in the Federal Deposit Insurance Act and applicable regulations thereunder, and the deposits in which are insured by the Bank Insurance Fund.

5.5 *Regulatory Filings; Financial Statements.* CHC has made available to FNB copies of the CHC Financial Statements and all management letters of its outside independent certified public accountants relating to any audits performed in connection with the preparation of the CHC Financial Statements. Each of the CHC Financial Statements (including, in each case, any related notes), including any CHC Financial Statements filed after the date of this Agreement until the Effective Time, was prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated therein or in the notes to such financial statements), and fairly present or will present the financial position of CHC at the respective dates and the results of its operations and cash flows at and for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not expected to be material in amount, and except for the absence of certain footnote information in the unaudited interim financial statements.

5.6 *Absence of Certain Changes or Events.* Except as disclosed in Section 5.6 of the CHC Disclosure Memorandum, since December 31, 1997, (i) there have been no events, changes, or occurrences

which have had, or are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, and (ii) the CHC Companies have not taken any action, or failed to take any action, prior to the date of this Agreement, which action or failure, if taken after the date of this Agreement, would represent or result in a material breach or violation of any of the material covenants and agreements of CHC provided in Article 7 of this Agreement.

5.7 Tax Matters.

(a) All Tax Returns required to be filed by or on behalf of any of the CHC Companies have been timely filed or requests for extensions have been timely filed, granted, and have not expired for periods ended on or before December 31, 1997, except to the extent that all such failures to file, taken together, are not reasonably likely to have a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, and to the Knowledge of CHC all Tax Returns filed are complete and accurate in all material respects. All Taxes shown on filed Tax Returns have been paid. There is no audit examination, deficiency, or refund Litigation with respect to any Taxes that is reasonably likely to result in a determination that would have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, except as reserved against in the CHC Financial Statements delivered prior to the date of this Agreement or as disclosed in Section 5.7 of the CHC Disclosure Memorandum. All Taxes and other liabilities due with respect to completed and settled examinations or concluded Litigation have been paid, accrued, or provided for as disclosed in Section 5.7 of the CHC Disclosure Memorandum.

(b) Except as disclosed in Section 5.7 of the CHC Disclosure Memorandum, none of the CHC Companies has executed an extension or waiver of any statute of limitations on the assessment or collection of any material Tax due that is currently in effect.

(c) Except as disclosed in Section 5.7 of the CHC Disclosure Memorandum, adequate provision for any Taxes due or to become due for any of the CHC Companies for the period or periods through and including the date of the respective CHC Financial Statements has been made and is reflected on such CHC Financial Statements.

(d) Deferred Taxes of the CHC Companies have been adequately provided for in the CHC Financial Statements.

(e) To the Knowledge of CHC, each of the CHC Companies is in compliance with, and its records contain all information and documents (including properly completed Internal Revenue Service Forms W-9) necessary to comply with, all applicable information reporting and Tax withholding requirements under federal, state, and local Tax Laws, and such records identify with specificity all accounts subject to backup withholding under Section 3406 of the Internal Revenue Code, except for such instances of noncompliance and such omissions as are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole and its Subsidiaries taken as a whole.

(f) There are no Liens with respect to Taxes upon any of the assets of the CHC Companies, except for loans on the Subsidiaries books guaranteed in the normal course of business.

(h) No CHC Company has filed any consent under Section 341(f) of the Internal Revenue Code concerning collapsible corporation.

(i) All material elections with respect to Taxes affecting the CHC Companies as of the date of this Agreement have been or will be timely made as set forth in Section 5.7 of the CHC Disclosure Memorandum. After the date hereof, other than as set forth in Section 5.7 of the CHC Disclosure Memorandum, no election with respect to Taxes will be made without the prior written consent of FNB, which consent will not be unreasonably withheld.

5.8 Assets. Except as disclosed in Section 5.8 of the CHC Disclosure Memorandum, the CHC Companies have good and marketable title, free and clear of all Liens (except for those Liens which are not likely to have a Material Adverse Effect on CHC or its Subsidiaries taken as a whole), to all of their respective material Assets, reflected in CHC Financial Statements as being owned by CHC as of the date hereof. All material tangible properties used in the businesses of the CHC Companies are in good condition, reasonable wear and tear excepted, and are usable in the ordinary course of business consistent with CHC's past practices. All Assets which are material to CHC's business on a consolidated basis, held under leases or subleases by any of the CHC Companies, are held under valid Contracts enforceable in accordance with their respective terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceedings may be brought), and each such Contract is in full force and effect. The CHC Companies currently maintain insurance in amounts, scope, and coverage as disclosed in Section 5.8 of the CHC Disclosure Memorandum. None of the CHC Companies has received written notice from any insurance carrier that (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated, or (ii) premium costs with respect to such policies of insurance will be substantially increased. Except as disclosed in Section 5.8 of the CHC Disclosure Memorandum, to the Knowledge of CHC there are presently no occurrences giving rise to a claim under such policies of insurance and no notices have been given by any CHC Company under such policies.

5.9 Environmental Matters.

(a) To the Knowledge of CHC, except as disclosed in Section 5.9 of the CHC Disclosure Memorandum, each CHC Company, its Participation Facilities, and its Loan Properties are, and have been, in compliance with all Environmental Laws, except for violations which are not reasonably likely to have, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole.

(b) To the Knowledge of CHC, except as disclosed in Section 5.9 of the CHC Disclosure Memorandum, there is no Litigation pending or threatened before any court, governmental agency, or authority or other forum in which any CHC Company or any of its Loan Properties or Participation Facilities has been or, with respect to threatened Litigation, may be named as a defendant or potentially responsible party (i) for alleged noncompliance (including by any predecessor) with any Environmental Law or (ii) relating to the release into the environment of any Hazardous Material, whether or not occurring at, on, under, or involving any of its Loan Properties or Participation Facilities, except for such Litigation pending or threatened that is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole.

(c) To the Knowledge of CHC, except as disclosed in Section 5.9 of the CHC Disclosure Memorandum, there is no reasonable basis for any Litigation of a type described above in Section 5.9(b), except such as is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole.

(d) To the Knowledge of CHC, except as disclosed in Section 5.9 of the CHC Disclosure Memorandum, during the period of (i) CHC's or any of its Subsidiaries' ownership or operation of any of their respective properties, (ii) CHC's or any of its Subsidiaries' participation in the management of any Participation Facility, or (iii) CHC's or any of its Subsidiaries' holding a security interest in a Loan Property, to the Knowledge of CHC there have been no releases of Hazardous Material in, on, under, or affecting any Participation Facility or Loan Property of a CHC Company, except such as are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole.

5.10 Compliance With Laws. CHC is duly registered as a bank holding company under the BHC Act. Except as set forth in Section 5.10 of the CHC Disclosure Memorandum, each CHC Company has in effect all Permits necessary for it to own, lease, or operate its material Assets and to carry on its business as now conducted, except for those Permits the absence of which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole. None of the CHC Companies is presently in default under any such Permit, other than defaults which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole. Except as disclosed in Section 5.10 of the CHC Disclosure Memorandum, none of the CHC Companies:

(a) to the Knowledge of CHC is in violation of any Laws or Orders, applicable to its business or employees conducting its business, except for violations which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole; and

(b) has received any written notification or communication from any agency or department of federal, state, or local government or any Regulatory Authority or the staff thereof (i) asserting that any CHC Company is not in substantial compliance with any of the Laws or Orders which such governmental authority or Regulatory Authority enforces, where such noncompliance is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, (ii) threatening to revoke any Permits, the revocation of which is reasonably likely to have, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, or (iii) requiring any CHC Company to enter into or consent to the issuance of a cease and desist order, formal agreement, directive, commitment, or memorandum of understanding, or to adopt any Board resolution or similar undertaking, which restricts materially the conduct of its business, or in any manner relates to its capital adequacy, its credit or reserve policies, its management, or the payment of dividends.

5.11 Labor Relations. No CHC Company is the subject of any Litigation asserting that it or any other CHC Company has committed an unfair labor practice (within the meaning of the National Labor Relations Act or comparable state law) or seeking to compel it or any other CHC Company to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving any CHC Company, pending or, to the Knowledge of CHC, threatened, nor is there any activity involving any CHC Company's employees seeking to certify a collective bargaining unit or engaging in any other organization activity.

5.12 Employee Benefit Plans.

(a) CHC has disclosed in Section 5.12 of the CHC Disclosure Memorandum, and has delivered or made available to FNB prior to the execution of this Agreement copies or summaries in each case of, all material pension, retirement, profit-sharing, deferred compensation, stock

option, employee stock ownership, severance pay, vacation, bonus, or other incentive plan, all other written employee programs, arrangements, or agreements, all medical, vision, dental, or other health plans, all life insurance plans, and all other employee benefit plans or fringe benefit plans, including "employee benefit plans" (as that term is defined in Section 3(3) of ERISA), currently adopted, maintained by, sponsored in whole or in part by, or contributed to by CHC or any of its Subsidiaries for the benefit of employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries are eligible to participate (collectively, the "CHC Benefit Plans"). Any of the CHC Benefit Plans which is an "employee pension benefit plan" (as that term is defined in Section 3(2) of ERISA) is referred to herein as a "CHC ERISA Plan." No CHC Benefit Plan is or has been a multi-employer plan within the meaning of Section 3(37) of ERISA.

(b) Except as disclosed in the CHC Disclosure Memorandum, all CHC Benefit Plans are in compliance in all material respects with the applicable terms of ERISA, the Internal Revenue Code, and any other applicable Laws, the breach or violation of which are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries on a consolidated basis.

(c) Except as disclosed in Section 5.12 of the CHC Disclosure Memorandum, no CHC ERISA Plan which is a "defined benefit pension plan" (as defined in Section 4140 of the Internal Revenue Code) has any "unfunded current liability" (as that term is defined in Section 302(d)(8)(A) of ERISA) and the present fair market value of the assets of any such plan exceeds the plan's "benefit liabilities" (as that term is defined in Section 4001(a)(16) of ERISA) when determined under actuarial factors that would apply if the plan terminated in accordance with all applicable legal requirements.

(d) Except as disclosed in Section 5.12 of the CHC Disclosure Memorandum or otherwise provided by this Agreement, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute, or otherwise) becoming due to any director or any employee of CHC or any of its Subsidiaries from CHC or any of its Subsidiaries under any CHC Benefit Plan or otherwise, (ii) increase any benefits otherwise payable under any CHC Benefit Plan or (iii) result in any acceleration of the time of payment or vesting of any such benefits, where such payment, increase, or acceleration is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries on a consolidated basis.

5.13 Material Contracts. Except as disclosed in Section 5.13 of the CHC Disclosure Memorandum, CHC is not a party to or subject to the following: (i) any employment, severance, termination, consulting, or retirement Contract providing for aggregate payments to any Person in any calendar year in excess of \$50,000, (ii) any Contract relating to the borrowing of money by CHC or the guarantee by CHC of any such obligation exceeding \$50,000 (other than Contracts evidencing deposit liabilities, purchases of federal funds, fully-secured repurchase agreements, and Federal Home Loan Bank advances to depository institution Subsidiaries, trade payables, and Contracts relating to borrowings or guarantees made in the ordinary course of business), and (iii) any other material Contract or amendment thereto as of the date of this Agreement not made in the ordinary course of business to which CHC is a party or by which it is bound (together with all Contracts referred to in Sections 5.8 and 5.12(a) of this Agreement, the "CHC Contracts"). With respect to each CHC Contract and except as disclosed in Section 5.13 of the CHC Disclosure Memorandum: (i) the Contract is in full force and effect; (ii) CHC is not in

default thereunder, other than defaults which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole; (iii) CHC has not repudiated or waived any material provision of any such CHC Contract; and (iv) no other party to any such CHC Contract is, to the Knowledge of CHC, in default in any material respect, other than defaults which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, or has repudiated or waived any material provision thereunder. Except for Federal Home Loan Bank advances, all of the indebtedness of CHC for money borrowed is prepayable at any time by CHC without penalty or premium. CHC's obligation in connection with the retirement of its former Chief Executive Officer, C. David Carley, Jr., is fully funded as described in Section 5.13 of the CHC Disclosure Memorandum.

5.14 Legal Proceedings. Except as disclosed in Section 5.14 of the CHC Disclosure Memorandum, there is no Litigation instituted or pending, or, to the Knowledge of CHC, threatened (or unasserted but considered probable of assertion and which if asserted would have at least a reasonable probability of an unfavorable outcome) against any CHC Company, or against any Asset, employee benefit plan, interest, or right of any of them, that is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole, nor are there any Orders of any Regulatory Authorities, other governmental authorities, or arbitrators outstanding against any CHC Company, that are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole. Section 5.14 of the CHC Disclosure Memorandum includes a summary report of all Litigation as of the date of this Agreement to which any CHC Company is a party and which names a CHC Company as a defendant or cross-defendant and where the estimated maximum exposure is \$25,000 or more.

5.15 Reports. Since January 1, 1995, or the date of organization if later, each CHC Company has timely filed all reports and statements, together with any amendments required to be made with respect thereto, that it was required to file, which failure to file or amend is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect of CHC and its Subsidiaries taken as a whole, with any Regulatory Authorities. As of their respective dates, each of such reports and documents, including the financial statements, exhibits, and schedules thereto, complied in all material respects with all applicable Laws enforced by the Florida Department of Banking and Finance, the Federal Deposit Insurance Corporation, or the Board of Governors of the Federal Reserve System. As of its respective date, each such report and document did not, in all material respects, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, which untrue statement of a material fact or omission to state a material fact is likely to have, individually or in the aggregate, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole.

5.16 Statements True and Correct. None of the information supplied or to be supplied by any CHC Company or any Affiliate thereof for inclusion in the Registration Statement to be filed by FNB with the SEC will, when the Registration Statement becomes effective, be false or misleading with respect to any material fact, or omit to state any material fact necessary to make the statements therein not misleading. None of the information supplied or to be supplied by any CHC Company or any Affiliate thereof for inclusion in the Proxy Statement to be mailed to CHC's shareholders in connection with the Shareholders' Meeting, and any other documents to be filed by a CHC Company or any Affiliate thereof with the SEC or any other Regulatory Authority in connection with the transactions contemplated hereby, will, at the respective time such documents are filed, and with respect to the Proxy Statement, when first mailed to the shareholders of CHC, be false or misleading with respect to any material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or, in the case of the Proxy Statement or any amendment thereof or

supplement thereto, at the time of the Shareholders' Meeting, be false or misleading with respect to any material fact, or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of any proxy for the Shareholders' Meeting. All documents that any CHC Company or any Affiliate thereof is responsible for filing with any Regulatory Authority in connection with the transactions contemplated hereby will comply as to form in all material respects with the provisions of applicable Law.

5.17 *Accounting, Tax and Regulatory Matters.* To the knowledge of CHC, except for the stock purchase program commenced on December 22, 1997, neither CHC nor any Affiliate thereof has taken or agreed to take any action which would, or has any Knowledge of any fact or circumstance that is reasonably likely to (i) prevent the transactions contemplated hereby, including the Merger, from qualifying for pooling-of-interests accounting treatment or as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, or (ii) materially impede or delay receipt of any Consents of Regulatory Authorities referred to in Section 9.1(b) of this Agreement or result in the imposition of a condition or restriction of the type referred to in the last sentence of such Section.

5.18 *State Takeover Laws.* Each CHC Company has taken all necessary action to exempt the transactions contemplated by this Agreement from the provisions of Sections 607.0901 through 607.0903, inclusive, of the FBCA (collectively, "Takeover Laws").

5.19 *Derivatives Contracts.* Except as disclosed in Section 5.19 of the CHC Disclosure Memorandum, neither CHC nor any of its Subsidiaries is a party to or has agreed to enter into an exchange-traded or over-the-counter swap, forward, future, option, cap, floor, or collar financial contract, or any other interest rate or foreign currency protection contract not included on its balance sheet which is a financial derivative contract (including various combinations thereof) (each a "Derivatives Contract").

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF FNB AND SOUTHWEST

FNB and Southwest hereby represent and warrant to CHC as follows:

6.1 *Organization, Standing, and Power.*

(a) FNB is a corporation duly organized, validly existing, and in good standing under the Laws of the Commonwealth of Pennsylvania, and has the corporate power and authority to carry on its business as now conducted and to own, lease, and operate its material Assets. FNB is duly qualified or licensed to transact business as a foreign corporation in good standing in the States of the United States and foreign jurisdictions where the character of its Assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB.

(b) Southwest is a corporation duly organized, validly existing, and in active status under the Laws of the State of Florida, and has the corporate power and authority to carry on its business as now conducted and to own, lease, and operate its material Assets. Southwest is duly qualified or licensed to transact business as a foreign corporation in good standing in the States of the United States and foreign jurisdictions where the character of its Assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in

which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Southwest.

6.2 Authority; No Breach By Agreement.

(a) Each of FNB and Southwest has the corporate power and authority necessary to execute, deliver, and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein, including the Merger, have been duly and validly authorized by all necessary corporate action in respect thereof on the part of FNB and Southwest. This Agreement represents a legal, valid, and binding obligation of FNB and Southwest, enforceable against FNB and Southwest in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought).

(b) Neither the execution and delivery of this Agreement by FNB or Southwest, nor the consummation by FNB or Southwest of the transactions contemplated hereby, nor compliance by FNB or Southwest with any of the provisions hereof, will (i) conflict with or result in a breach of any provision of the Articles of Incorporation or Bylaws of FNB or Southwest, or (ii) constitute or result in a Default under, or require any Consent pursuant to, or result in the creation of any Lien on any Asset of any FNB Company or Southwest under, any Contract or Permit of any FNB Company or Southwest, where such Default or Lien, or any failure to obtain such Consent, is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB or Southwest, or, (iii) subject to receipt of the requisite Consents referred to in Section 9.1(b) of this Agreement, violate any Law or Order applicable to any FNB Company or Southwest or any of their respective material Assets.

(c) Other than in connection or compliance with the provisions of the Securities Laws, applicable state corporate and securities Laws, and rules of Nasdaq, and other than Consents required from Regulatory Authorities, and other than notices to or filings with the Internal Revenue Service or the Pension Benefit Guaranty Corporation with respect to any employee benefit plans, or under the HSR Act, and other than Consents, filings, or notifications which, if not obtained or made, are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB and Southwest, no notice to, filing with, or Consent of, any public body or authority is necessary for the consummation by FNB and Southwest of the Merger and the other transactions contemplated in this Agreement.

6.3 Capital Stock. The authorized capital stock of FNB consists of (i) 100,000,000 shares of FNB Common Stock, of which 15,190,367 shares were issued and outstanding as of the date of this Agreement and (ii) 20,000,000 shares of FNB Preferred Stock, of which 274,947 shares were issued and outstanding as of the date of this Agreement ("FNB Capital Stock"). All of the issued and outstanding shares of FNB Capital Stock are, and all of the FNB Common Stock to be issued in exchange for CHC Common Shares upon consummation of the Merger will be authorized and reserved for issuance prior to the Effective Time and, when issued in accordance with the terms of this Agreement, will be, duly and validly issued and outstanding and fully paid and nonassessable under the PBCL. None of the outstanding shares of FNB Capital Stock has been, and none of the shares of FNB Common Stock to be issued in exchange for CHC Common Shares upon consummation of the Merger will be, issued in violation of any preemptive rights of the current or past shareholders of FNB.

6.4 *FNB Subsidiaries.* Except as disclosed in Section 6.4 of the FNB Disclosure Memorandum, the list of Subsidiaries of FNB filed by FNB with its most recent FNB Report on Form 10-K for the fiscal year ended December 31, 1997, is a true and complete list of all of the FNB Subsidiaries as of the date of this Agreement. Except as disclosed in Section 6.4 of the FNB Disclosure Memorandum, FNB or one of its Subsidiaries owns all of the issued and outstanding shares of capital stock of each FNB Subsidiary. No equity securities of any FNB Subsidiary are or may become required to be issued (other than to another FNB Company) by reason of any Rights, and there are no Contracts by which any FNB Subsidiary is bound to issue (other than to another FNB Company) additional shares of its capital stock or Rights or by which any FNB Company is or may be bound to transfer any shares of the capital stock of any FNB Subsidiary (other than to another FNB Company). There are no Contracts relating to the rights of any FNB Company to vote or to dispose of any shares of the capital stock of any FNB Subsidiary. All of the shares of capital stock of each FNB Subsidiary held by a FNB Company are fully paid and nonassessable under the applicable corporation Law of the jurisdiction in which such Subsidiary is incorporated or organized (except, in the case of Subsidiaries that are national banks, for the assessment contemplated by 12 U.S.C. § 55), and are owned by the FNB Company free and clear of any Lien. Each FNB Subsidiary is either a bank or a corporation, and is duly organized, validly existing, and (as to corporations) in good standing under the Laws of the jurisdiction in which it is incorporated or organized, and has the corporate power and authority necessary for it to own, lease, and operate its Assets and to carry on its business as now conducted. Each FNB Subsidiary is duly qualified or licensed to transact business as a foreign corporation and is in good standing in each jurisdiction where the character of its Assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB. Each FNB Subsidiary that is a depository institution is an "insured institution" as defined in the Federal Deposit Insurance Act and applicable regulations thereunder, and the deposits in which are insured by the Bank Insurance Fund or the Savings Association Insurance Fund.

6.5 *SEC Filings; Financial Statements.*

(a) FNB has filed and made available to CHC accurate and complete copies of all forms, reports, and documents required to be filed by FNB with the SEC since January 1, 1994 (collectively, the "FNB SEC Reports"). The FNB SEC Reports (i) at the time filed, complied in all material respects with the applicable requirements of the 1933 Act and the 1934 Act, as the case may be, and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated in such FNB SEC Reports or necessary in order to make the statements in such FNB SEC Reports, in light of the circumstances under which they were made, not misleading. Except for FNB Subsidiaries that are registered as brokers, dealers, investment advisers, or associated persons thereof, none of the FNB Subsidiaries is required to file any forms, reports or other documents with the SEC.

(b) Each of the FNB Financial Statements (including, in each case, any related notes) contained in the FNB SEC Reports, including any FNB SEC Reports filed after the date of this Agreement until the Effective Time, complied, and each FNB SEC Report filed after the date of this Agreement until the Effective Time will comply, as to form in all material respects with the applicable published rules and regulations of the SEC with respect thereto, was or will be prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited statements, as permitted by Form 10-Q of the SEC), and fairly presented the consolidated financial position of FNB and its Subsidiaries as at the respective dates and the consolidated results of its

operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not expected to be material in amount.

6.6 *Absence of Certain Changes or Events.* Since December 31, 1997, (i) there have been no events, changes, or occurrences which have had, or are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB, and (ii) the FNB Companies have not taken any action, or failed to take any action, prior to the date of this Agreement, which action or failure, if taken after the date of this Agreement, would represent or result in a material breach or violation of any of the covenants and agreements of FNB or Southwest provided in Articles 7 or 8 of this Agreement.

6.7 *Tax Matters.*

(a) All Tax Returns required to be filed by or on behalf of any of the FNB Companies have been timely filed or requests for extensions have been timely filed, granted, and have not expired for periods ended on or before December 31, 1997, and on or before the date of the most recent fiscal year end immediately preceding the Effective Time, except to the extent that all such failures to file, taken together, are not reasonably likely to have a Material Adverse Effect on FNB, and all Tax Returns filed are complete and accurate in all material respects. All Taxes shown on filed Tax Returns have been paid. There is no audit examination, deficiency, or refund Litigation with respect to any Taxes that is reasonably likely to result in a determination that would have, individually or in the aggregate, a Material Adverse Effect on FNB, except as reserved against in the FNB Financial Statements delivered prior to the date of this Agreement. All Taxes and other liabilities due with respect to completed and settled examinations or concluded Litigation have been paid.

(b) Adequate provision for any Taxes due or to become due for any of the FNB Companies for the period or periods through and including the date of the respective FNB Financial Statements has been made and is reflected on such FNB Financial Statements.

(c) Deferred Taxes of the FNB Companies have been adequately provided for in the FNB Financial Statements.

(d) To the Knowledge of FNB, each of the FNB Companies is in compliance with, and its records contain all information and documents (including properly completed Internal Revenue Service Forms W-9) necessary to comply with, all applicable information reporting and Tax withholding requirements under federal, state, and local Tax Laws, and such records identify with specificity all accounts subject to backup withholding under Section 3406 of the Internal Revenue Code, except for such instances of noncompliance and such omissions as are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB.

6.8 *Compliance With Laws.* Both FNB and Southwest are duly registered as a bank holding company under the BHC Act. Each FNB Company has in effect all Permits necessary for it to own, lease, or operate its material Assets and to carry on its business as now conducted, except for those Permits the absence of which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB. None of the FNB Companies is presently in Default under or in violation of any such Permit, other than Defaults which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB. No FNB Company:

(a) is in violation of any Laws, Orders, or Permits applicable to its business or employees conducting its business, except for violations which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB; and

(b) has received any notification or communication from any agency or department of federal, state, or local government or any Regulatory Authority or the staff thereof (i) asserting that any FNB Company is not in compliance with any of the Laws or Orders which such governmental authority or Regulatory Authority enforces, where such noncompliance is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB, (ii) threatening to revoke any Permits, the revocation of which is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB, or (iii) requiring any FNB Company to enter into or consent to the issuance of a cease and desist order, formal agreement, directive, commitment, or memorandum of understanding, or to adopt any board resolution or similar undertaking, which restricts materially the conduct of its business, or in any manner relates to its capital adequacy, its credit or reserve policies, its management or the payment of dividends.

6.9 *Assets.* Except as disclosed in Section 6.9 of the FNB Disclosure Memorandum, the FNB Companies have good and marketable title, free and clear of all Liens (except for those Liens which are not likely to have a Material Adverse Effect on FNB or its Subsidiaries taken as a whole), to all of their respective material Assets, reflected in FNB Financial Statements as being owned by FNB as of the date hereof. All material tangible properties used in the businesses of the FNB Companies are in good condition, reasonable wear and tear excepted, and are usable in the ordinary course of business consistent with FNB's past practices. All Assets which are material to FNB's business on a consolidated basis, held under leases or subleases by any of the FNB Companies, are held under valid Contracts enforceable in accordance with their respective terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceedings may be brought), and each such Contract is in full force and effect. The FNB Companies currently maintain insurance in amounts, scope, and coverage as disclosed in Section 6.9 of the FNB Disclosure Memorandum. None of the FNB Companies has received written notice from any insurance carrier that (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated, or (ii) premium costs with respect to such policies of insurance will be substantially increased. Except as disclosed in Section 6.9 of the FNB Disclosure Memorandum, to the Knowledge of FNB there are presently no occurrences giving rise to a claim under such policies of insurance and no notices have been given by any FNB Company under such policies.

6.10 *Legal Proceedings.* Except as disclosed in Section 6.10 of the FNB Disclosure Memorandum, there is no Litigation instituted or pending, or, to the Knowledge of FNB, threatened (or unasserted but considered probable of assertion and which if asserted would have at least a reasonable probability of an unfavorable outcome) against any FNB Company, or against any Asset, interest, or right of any of them, that is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB, nor are there any Orders of any Regulatory Authorities, other governmental authorities, or arbitrators outstanding against any FNB Company, that are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB.

6.11 *Reports.* Since January 1, 1995, or the date of organization if later, each FNB Company has filed all reports and statements, together with any amendments required to be made with respect thereto, that it was required to file with Regulatory Authorities (except, in the case of state securities authorities, failures to file which are not reasonably likely to have, individually or in the aggregate, a

Material Adverse Effect on FNB). As of their respective dates, each of such reports and documents, including the financial statements, exhibits, and schedules thereto, complied in all material respects with all applicable Laws. As of its respective date, each such report and document did not, in all material respects, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

6.12 *Statements True and Correct.* None of the information supplied or to be supplied by any FNB Company or any Affiliate thereof for inclusion in the Registration Statement to be filed by FNB with the SEC, will, when the Registration Statement becomes effective, be false or misleading with respect to any material fact, or omit to state any material fact necessary to make the statements therein not misleading. None of the information supplied or to be supplied by any FNB Company or any Affiliate thereof for inclusion in the Proxy Statement to be mailed to CHC's shareholders in connection with the Shareholders' Meeting, and any other documents to be filed by any FNB Company or any Affiliate thereof with the SEC or any other Regulatory Authority in connection with the transactions contemplated hereby, will, at the respective time such documents are filed, and with respect to the Proxy Statement, when first mailed to the shareholders of CHC, be false or misleading with respect to any material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or, in the case of the Proxy Statement or any amendment thereof or supplement thereto, at the time of the Shareholders' Meeting, be false or misleading with respect to any material fact, or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of any proxy for the Shareholders' Meeting. All documents that any FNB Company or any Affiliate thereof is responsible for filing with any Regulatory Authority in connection with the transactions contemplated hereby will comply as to form in all material respects with the provisions of applicable Law.

6.13 *Accounting, Tax and Regulatory Matters.* No FNB Company or any Affiliate thereof has taken or agreed to take any action or has any Knowledge of any fact or circumstance that is reasonably likely to (i) prevent the transactions contemplated hereby, including the Merger, from qualifying as a reorganization within the meaning of Section 368(a)(2)(D) of the Internal Revenue Code, or (ii) materially impede or delay receipt of any Consents of Regulatory Authorities referred to in Section 9.1(b) of this Agreement or result in the imposition of a condition or restriction of the type referred to in the last sentence of such Section.

6.14 *Environmental Matters.*

(a) To the Knowledge of FNB, except as disclosed in Section 6.14 of the FNB Disclosure Memorandum, each FNB Company, its Participation Facilities, and its Loan Properties are, and have been, in compliance with all Environmental Laws, except for violations which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB.

(b) Except as disclosed in Section 6.14 of the FNB Disclosure Memorandum, there is no Litigation pending, or, to the Knowledge of FNB, threatened before any court, governmental agency, or authority or other forum in which any FNB Company or any of its Loan Properties or Participation Facilities (or any FNB Company in respect of any such Loan Property or Participation Facility) has been or, with respect to threatened Litigation, may be named as a defendant or potentially responsible party (i) for alleged noncompliance (including by any predecessor) with any Environmental Law or (ii) relating to the release into the environment of any Hazardous Material, whether or not occurring at, on, under, or involving any of its Loan

Properties or Participation Facilities, except for such Litigation pending or threatened that is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB.

(c) To the Knowledge of FNB, except as disclosed in Section 6.14 of the FNB Disclosure Memorandum, there is no reasonable basis for any Litigation of a type described above in Section 6.14(b), except such as is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB.

(d) To the Knowledge of FNB, except as disclosed in Section 6.14 of the FNB Disclosure Memorandum, during the period of (i) FNB's or any of its Subsidiaries' ownership or operation of any of their respective properties, (ii) FNB's or any of its Subsidiaries' participation in the management of any Participation Facility, or (iii) FNB's or any of its Subsidiaries' holding a security interest in a Loan Property, to the Knowledge of FNB there have been no releases of Hazardous Material in, on, under, or affecting any Participation Facility or Loan Property of a FNB Company, except such as are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FNB.

6.15 *Derivatives Contracts.* Neither FNB nor any of its Subsidiaries is a party to or has agreed to enter into a Derivatives Contract, except for those Derivatives Contracts set forth in Section 6.15 of the FNB Disclosure Memorandum.

6.16 *Outstanding CHC Common Stock.* As of the date of this Agreement, FNB Companies do not beneficially own any shares of CHC Common Stock for their own accounts (not including those held in a fiduciary or trust capacity for, or on behalf of, unaffiliated third parties). During the term of this Agreement, no FNB Company, shall purchase or otherwise acquire beneficial ownership of any additional CHC Common Stock except pursuant to the terms of this Agreement.

6.17 *Material Contracts.* All material Contracts to which FNB is a party and which are required to be filed as exhibits to FNB SEC Reports have been so filed and, except as disclosed in Section 6.17 of the FNB Disclosure Memorandum, as of the date of this Agreement, to the Knowledge of FNB neither FNB nor any of the FNB Companies is a party to any Contract or amendment thereto that would be required to be filed as an exhibit to a Form 10-K filed by FNB with the SEC except for the fact that no such Form 10-K is presently required to be filed with the SEC as of the date hereof.

ARTICLE 7

CONDUCT OF BUSINESS PENDING CONSUMMATION

7.1 *Affirmative Covenants of CHC.* Unless the prior written consent of FNB shall have been obtained, and except as otherwise expressly contemplated herein, CHC shall and shall cause each of its Subsidiaries to (i) operate its business only in the usual, regular, and ordinary course, (ii) use its reasonable best efforts to preserve intact its business organization and Assets and maintain its rights and franchises, (iii) use its reasonable best efforts to maintain its current employee relationships, and (iv) take no action which would materially adversely affect the ability of any Party to obtain any Consents of Regulatory Authorities required for the transactions contemplated hereby without imposition of a condition or restriction of the type referred to in the last sentence of Section 9.1(b) of this Agreement.

7.2 *Negative Covenants of CHC.* Except as disclosed in Section 7.2 of the CHC Disclosure Memorandum, from the date of this Agreement until the earlier of the Effective Time or the termination

of this Agreement, CHC covenants and agrees that it will not do or agree or commit to do, any of the following without the prior written consent (except as specifically provided otherwise in this Agreement) of the chief executive officer, president, chief financial officer, or any executive vice president or duly authorized designee of FNB:

(a) amend the Articles of Incorporation, Bylaws, or other governing instruments of any CHC Company or, except as expressly contemplated by this Agreement; or

(b) except for loans secured by a first mortgage on single family owner-occupied real estate, make any unsecured loan or other extension of credit in excess of \$100,000, or make any fully secured loan to any Person (except those who have received a commitment for a loan or extension of credit prior to the date of this Agreement) in excess of \$250,000 (in either case FNB shall object thereto within two business days, and the failure to provide a written objection within two business days shall be deemed as the approval of FNB to make such loan or extend such credit); or

(c) incur any additional debt obligation or other obligation for borrowed money (other than indebtedness of a CHC Company to another CHC Company) in excess of an aggregate of \$100,000 (for the CHC Companies on a consolidated basis) except in the ordinary course of the business of CHC Subsidiaries consistent with past practices (it being understood and agreed that the incurrence of indebtedness in the ordinary course of business shall include, without limitation, creation of deposit liabilities, purchases of federal funds, advances from the Federal Reserve Bank or Federal Home Loan Bank, and entry into repurchase agreements fully secured by U.S. government or agency securities), or impose, or suffer the imposition, on any Asset of any CHC Company of any Lien or permit any such Lien to exist (other than in connection with deposits, repurchase agreements, bankers acceptances, "treasury tax and loan" accounts established in the ordinary course of business, the satisfaction of legal requirements in the exercise of trust powers, and Liens in effect as of the date hereof that are disclosed in the CHC Disclosure Memorandum); or

(d) repurchase, redeem, or otherwise acquire or exchange (other than exchanges in the ordinary course under employee benefit plans), directly or indirectly, any shares, or any securities convertible into any shares, of the capital stock of CHC, or make, declare, or pay any dividend or make any other distribution in respect of CHC's capital stock (except for the acquisitions of CHC Common Shares by CHC in a fiduciary or trust capacity in the ordinary course of business); or

(e) except for this Agreement, or pursuant to the Stock Option Agreement or pursuant to the exercise of stock options outstanding as of the date hereof and pursuant to the terms thereof in existence on the date hereof, or as disclosed in Section 7.2(e) of the CHC Disclosure Memorandum, issue, sell, pledge, encumber, authorize the issuance of, enter into any Contract to issue, sell, pledge, encumber, or authorize the issuance of, or otherwise permit to become outstanding, any additional CHC Common Shares or any other capital stock of any CHC Company, or any stock appreciation rights, or any option, warrant, conversion, or other right to acquire any such stock, or any security convertible into any such stock; or

(f) adjust, split, combine, or reclassify any capital stock of any CHC Company or issue or authorize the issuance of any other securities in respect of or in substitution for CHC Common Shares, or sell, lease, mortgage, or otherwise dispose of or otherwise encumber (i) any shares of capital stock of any CHC Subsidiary (unless any such shares of stock are sold or otherwise

transferred to another CHC Company) or (ii) any Asset other than in the ordinary course of business for reasonable and adequate consideration; or

(g) except for purchases of United States Treasury securities or United States Government agency securities, which in either case have maturities of five years or less, purchase any securities or make any material investment, either by purchase of stock or securities, contributions to capital, Asset transfers, or purchase of any Assets, in any Person other than a wholly owned CHC Subsidiary, or otherwise acquire direct or indirect control over any Person, other than in connection with (i) foreclosures in the ordinary course of business, (ii) acquisitions of control by a depository institution Subsidiary in its fiduciary capacity, or (iii) the creation of new wholly owned Subsidiaries organized to conduct or continue activities otherwise permitted by this Agreement in which case FNB shall object thereto within two business days, and the failure to provide written objection within two business days shall be deemed to be approval of FNB to make such purchase or investment; or

(h) grant any material increase in compensation or benefits to the employees or officers of any CHC Company, except in accordance with past practice disclosed in Section 7.2(h) of the CHC Disclosure Memorandum or as required by Law; pay any severance or termination pay or any bonus other than pursuant to written policies or written Contracts in effect on the date of this Agreement or as otherwise disclosed in Section 7.2(h) of the CHC Disclosure Memorandum; enter into or amend any severance agreements with officers of any CHC Company; grant any material increase in fees or other increases in compensation or other benefits to directors of any CHC Company except in accordance with past practice disclosed in Section 7.2(h) of the CHC Disclosure Memorandum; or voluntarily accelerate the vesting of any stock options or other stock-based compensation or employee benefits; or

(i) except as disclosed in Section 7.2(i) of the CHC Disclosure Memorandum or that may be entered into in accordance with Section 8.17 of this Agreement, enter into or amend any employment Contract between CHC and any Person (unless such amendment is required by Law) that CHC does not have the unconditional right to terminate without Liability (other than Liability for services already rendered), at any time on or after the Effective Time; or

(j) except as disclosed in Section 7.2(j) of the CHC Disclosure Memorandum, adopt any new employee benefit plan of any CHC Company or make any material change in or to any existing employee benefit plans of any CHC Company other than any such change that is required by Law or that, in the opinion of counsel, is necessary or advisable to maintain the tax qualified status of any such plan; or

(k) make any significant change in any Tax or accounting methods or systems of internal accounting controls, except as may be appropriate to conform to changes in Tax Laws or regulatory accounting requirements or GAAP; or

(l) except as disclosed in Section 7.2(l) of the CHC Disclosure Memorandum, commence any Litigation other than in accordance with past practice or settle any Litigation involving any liability of any CHC Company for material money damages or restrictions upon the operations of any CHC Company; or

(m) except in the ordinary course of business, modify, amend, or terminate any material Contract other than renewals without material adverse change of terms, or waive, release, compromise, or assign any material rights or claims; or

(n) except as disclosed in Section 7.2(n) of the CHC Disclosure Memorandum, except for transactions in the ordinary course of business consistent with past practice, make any investment in excess of \$100,000 either by purchase of stock or securities, contributions to capital, property transfers, or purchase of any property or assets of any other individual, corporation or other entity other than a wholly owned Subsidiary thereof; or

(o) sell, transfer, mortgage, encumber or otherwise dispose of any of its material properties or assets to any individual, corporation or other entity other than a direct or indirect wholly owned Subsidiary, or cancel, release or assign any indebtedness to any such Person or any claims held by any such Person, except in the ordinary course of business consistent with past practice or pursuant to contracts or agreements in force at the date of this Agreement; or

(p) agree to, or make any commitment to, take any of the actions prohibited by this Section 7.2.

7.3 *Covenants of FNB.* From the date of this Agreement until the earlier of the Effective Time or the termination of this Agreement, FNB covenants and agrees that it shall (i) continue to conduct its business and the business of FNB Subsidiaries in a manner designed in its reasonable judgment, to enhance the long-term value of the FNB Common Stock and the business prospects of the FNB Companies, and (ii) take no action which would (a) materially adversely affect the ability of any Party to obtain any Consents required for the transactions contemplated hereby without imposition of a condition or restriction of the type referred to in the last sentence of Section 9.1(b) of this Agreement, or (b) materially adversely affect the ability of any Party to perform its covenants and agreements under this Agreement; provided, that the foregoing shall not prevent any FNB Company from discontinuing or disposing of any of its Assets or business if such action is, in the judgment of FNB, desirable in the conduct of the business of FNB and its Subsidiaries. FNB further covenants and agrees that it will not, without the prior written consent of the Chairman and Chief Executive Officer of CHC, which consent shall not be unreasonably withheld, amend the Articles of Incorporation or Bylaws of FNB, in each case in any manner adverse to the holders of CHC Common Stock.

7.4 *Adverse Changes In Condition.* Except as disclosed in Section 7.4 of the CHC Disclosure Memorandum, each Party agrees to give written notice promptly to the other Party upon becoming aware of the occurrence or impending occurrence of any event or circumstance relating to it or any of its Subsidiaries which (i) is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on it or (ii) would cause or constitute a material breach of any of its representations, warranties, or covenants contained herein, and to use its reasonable best efforts to prevent or promptly to remedy the same.

7.5 *Reports.* Each Party and their respective Subsidiaries shall file all reports required to be filed by each of them with Regulatory Authorities between the date of this Agreement and the Effective Time and shall deliver to the other Party copies of all such reports promptly after the same are filed. If financial statements are contained in any such reports filed with the SEC, such financial statements will fairly present the consolidated financial position of the entity filing such statements as of the dates indicated and the consolidated results of operations, changes in shareholders' equity, and cash flows for the periods then ended in accordance with GAAP (subject in the case of interim financial statements to normal recurring year-end adjustments that are not material and except for the absence of certain footnote information in the unaudited financial statements). As of their respective dates, such reports filed with the SEC will comply in all material respects with the Securities Laws and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in

order to make the statements therein, in light of the circumstances under which they were made, not misleading. Any financial statements contained in any other reports to another Regulatory Authority shall be prepared in accordance with Laws applicable to such reports.

ARTICLE 8

ADDITIONAL AGREEMENTS

8.1 *Registration Statement; Proxy Statement; Shareholder Approval.* As soon as practicable after execution of this Agreement (in no event later than May 31, 1998), FNB shall file the Registration Statement with the SEC, and shall use its reasonable best efforts to cause the Registration Statement to become effective under the 1933 Act and take any action required to be taken under the applicable state blue sky or securities Laws in connection with the issuance of the shares of FNB Common Stock upon consummation of the Merger. CHC shall furnish all information concerning it and the holders of its capital stock as FNB may reasonably request in connection with such action. CHC shall call a Shareholders' Meeting, to be held on a date that is determined by the Parties to be a mutually desirable date, which date shall be as soon as practicable after the Registration Statement is declared effective by the SEC, for the purpose of voting upon approval of this Agreement and such other related matters as it deems appropriate. In connection with the Shareholders' Meeting, (i) CHC shall prepare a Proxy Statement relating to the Merger and mail such Proxy Statement to its shareholders, (ii) the Parties shall furnish to each other all information concerning them that they may reasonably request in connection with such Proxy Statement, (iii) the Board of Directors of CHC shall recommend (subject to compliance with their fiduciary duties under applicable law as advised by counsel) to its shareholders the approval of this Agreement, (iv) each member of the Board of Directors of CHC shall vote all CHC Common Shares beneficially owned by each in favor of the approval of this Agreement, and (v) the Board of Directors and officers of CHC shall (subject to compliance with their fiduciary duties under applicable law as advised by counsel) use their reasonable best efforts to obtain such shareholders' approval.

8.2 *Applications.* FNB shall promptly prepare and file, and CHC shall cooperate in the preparation and, where appropriate, filing of, applications with all Regulatory Authorities having jurisdiction over the transactions contemplated by this Agreement seeking the requisite Consents necessary to consummate the transactions contemplated by this Agreement and thereafter use its reasonable best efforts to cause the Merger to be consummated as expeditiously as possible. Further, FNB shall, prior to the Closing, prepare and file with the National Association of Securities Dealers the required documents and make payment of the required fees for the shares of FNB Common Stock to be issued to holders of CHC Common Stock in connection with the Merger.

8.3 *Filings With State Offices.* Upon the terms and subject to the conditions of this Agreement, FNB shall execute and file the Florida Articles of Merger with the Secretary of State of the State of Florida in connection with the Closing.

8.4 *Agreement As To Efforts To Consummate.* Subject to the terms and conditions of this Agreement, each Party agrees to use, and to cause its Subsidiaries to use, its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable under applicable Laws to consummate and make effective, as soon as practicable after the date of this Agreement, the transactions contemplated by this Agreement, including the use of their respective reasonable best efforts to lift or rescind any Order adversely affecting its ability to consummate the transactions contemplated herein and to cause to be satisfied the conditions referred to in Article 9 of this Agreement; provided, that nothing herein shall preclude either Party from exercising its rights under this Agreement. Each Party shall use, and shall cause each of its Subsidiaries to use, its reasonable best efforts

to obtain all Permits and Consents of all third parties and Regulatory Authorities necessary or desirable for the consummation of the transactions contemplated by this Agreement.

8.5 *Access to Information; Confidentiality.*

(a) From the date hereof to the Effective Time or termination pursuant to Article 10 of this Agreement, upon reasonable notice and subject to applicable Laws, FNB and CHC shall afford each other, and each other's accountants, counsel, and other representatives, during normal working hours for the period of time prior to the Effective Time or termination of this Agreement pursuant to Article 10 hereof, reasonable access to all of its and its Subsidiaries' properties, books, contracts, commitments, and records and, during such period, each shall furnish promptly to the other Party (i) a copy of each report, schedule, and other document filed or received by it or any of its Subsidiaries during such period pursuant to the requirements of the Securities Laws, (ii) a copy of all filings made with any Regulatory Authorities or other governmental entities in connection with the transactions contemplated by this Agreement and all written communications received from such Regulatory Authorities and governmental entities related thereto, and (iii) all other information concerning FNB or FNB's Subsidiaries' business, properties and personnel as CHC may reasonably request, including reports of condition filed with Regulatory Authorities. In this regard, without limiting the generality of the foregoing, FNB and its Subsidiaries and Affiliates shall notify CHC promptly upon the receipt by it of any comments from the SEC, or its staff, and of any requests by the SEC for amendments or supplements to the Registration Statement or for additional information and will supply CHC with copies of all correspondence between it and its representatives, on the one hand, and the SEC or the members of its staff or any other government official, on the other hand, with respect to the Registration Statement. Each Party hereto shall, and shall cause its advisors and representatives to (x) conduct its investigation in such a manner which will not unreasonably interfere with the normal operations, customers or employee relations of the other and shall be in accordance with procedures established by the Parties having the due regard for the foregoing, and (y) refrain from using for any purposes other than as set forth in this Agreement, and shall treat as confidential, all information obtained by each hereunder or in connection herewith and not otherwise known to them prior to the Effective Time.

(b) FNB, the FNB Companies and their Affiliates will hold, and will use their best efforts to cause their officers, directors, employees, consultants, advisors, representatives, and agents to hold, in confidence, unless compelled by judicial or other legal process, all confidential documents and information concerning CHC furnished to FNB, any FNB Company, or their Affiliates in connection with the transactions contemplated by this Agreement, including information provided in accordance with this Section 8.5, except to the extent that such information can clearly be demonstrated by FNB to have been (i) previously known on a nonconfidential basis by FNB, (ii) in the public domain other than as a result of disclosure by FNB, any FNB Company, or any of their Affiliates, or (iii) later lawfully acquired by FNB from sources other than CHC; provided, however, that FNB may disclose such information to its officers, directors, employees, consultants, advisors, representatives, and agents in connection with the transactions contemplated by this Agreement only to the extent that such Persons who, in FNB's reasonable judgment, need to know such information for the purpose of evaluating CHC (provided that such Persons shall be informed of the confidential nature of such information and shall agree to be bound by the terms of this provision) and, in any event, such disclosures shall be made only to the extent necessary for such purposes. If this Agreement is terminated in accordance with Article 10 hereof, FNB, the FNB Companies and their Affiliates shall maintain the confidence of such information and will, and will use their best efforts to cause its officers, directors, employees, consultants, advisors,

representatives, and agents to, return to CHC all documents and other materials, and all copies made thereof, obtained by FNB, any FNB Company, or any of their Affiliates in connection with this Agreement that are subject to this Section 8.5.

(c) CHC and its Affiliates will hold, and will use their best efforts to cause their officers, directors, employees, consultants, advisors, representatives, and agents to hold, in confidence, unless compelled by judicial or other legal process, all confidential documents and information concerning FNB furnished to CHC or its Affiliates in connection with the transactions contemplated by this Agreement, including information provided in accordance with this Section 8.5, except to the extent that such information can clearly be demonstrated by CHC to have been (i) previously known on a nonconfidential basis by CHC, (ii) in the public domain other than as a result of disclosure by CHC or any of its Affiliates, or (iii) later lawfully acquired by CHC from sources other than FNB; provided, however, that CHC may disclose such information to its officers, directors, employees, consultants, advisors, representatives, and agents in connection with the transactions contemplated by this Agreement only to the extent that such Persons who, in CHC's reasonable judgment, need to know such information for the purpose of evaluating FNB (provided that such Persons shall be informed of the confidential nature of such information and shall agree to be bound by the terms of this provision) and, in any event, such disclosures shall be made only to the extent necessary for such purposes. If this Agreement is terminated in accordance with Article 10 hereof, CHC and its Affiliates shall maintain the confidence of such information and will, and will use their best efforts to cause its officers, directors, employees, consultants, advisors, representatives, and agents to, return to FNB all documents and other materials, and all copies made thereof, obtained by CHC or any of its Affiliates in connection with this Agreement that are subject to this Section 8.5.

8.6 *Press Releases.* Prior to the Effective Time, CHC and FNB shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby; provided, that nothing in this Section 8.6 shall be deemed to prohibit any Party from making any disclosure which its counsel deems necessary or advisable in order to satisfy such Party's disclosure obligations imposed by Law.

8.7 *Current Information.* During the period from the date of this Agreement until the Effective Time or termination of this Agreement pursuant to Article 10 hereof, each of CHC and FNB shall, and shall cause its representatives to, confer on a regular and frequent basis with representatives of the other. Each of CHC and FNB shall promptly notify the other of (i) any material change in its business or operations, (ii) any material complaints, investigations, or hearings (or communications indicating that the same may be contemplated) of any Regulatory Authority, (iii) the institution or threat of material Litigation involving such Party, or (iv) the occurrence or nonoccurrence, of an event or condition, the occurrence, or nonoccurrence, of which would be reasonably expected to cause any of such party's representations or warranties set forth herein in any respect as of the Effective Time; and in each case shall keep the other fully informed with respect thereto.

8.8 *Other Actions.* No Party shall, or shall permit any of its Subsidiaries, if any, to, take any action, except in every case as may be required by applicable Law, that would or is intended to result in (i) any of its representations and warranties set forth in this Agreement that are qualified as to materiality being or becoming untrue, (ii) any of such representations and warranties that are not so qualified become untrue in any material manner having a Material Adverse Effect, (iii) any of the conditions set forth in this Agreement not being satisfied or in a violation of any provision of this Agreement, or (iv) adversely affecting the ability of any of them to obtain any of the Consents or Permits from Regulatory Authorities (unless such action is required by sound banking practice).

8.9 *No Solicitation.* Except with respect to this Agreement and the transactions contemplated hereby, from the date of this Agreement until the Effective Time or termination pursuant to Article 10, no CHC Company nor any Affiliate thereof, or any Representatives thereof retained by any CHC Company shall directly or indirectly solicit any Acquisition Proposal by any Person. Except to the extent necessary to comply with the fiduciary duties of CHC's Board of Directors determined after consultation with counsel, no CHC Company nor any Affiliate or Representative thereof shall furnish any nonpublic information that it is not legally obligated to furnish or negotiate with respect to, any Acquisition Proposal, but CHC may communicate information about such an Acquisition Proposal to its shareholders if and to the extent that it is required to do so in order to comply with its legal obligations as advised by counsel. CHC shall promptly notify FNB orally and in writing in the event that it receives any inquiry or proposal relating to any such transaction. CHC shall (i) immediately cease and cause to be terminated any existing activities, discussions, or negotiations with any Persons conducted heretofore with respect to any of the foregoing, and (ii) direct and use its reasonable best efforts to cause of all its Representatives not to engage in any of the foregoing.

8.10 *Certain Purchases.* Except as contemplated in this Agreement, for a period of three years after the date of this Agreement, and if this Agreement is terminated as provided in Section 10.1 hereof, then for a period of three years from the date of termination, FNB will not (and will ensure that the FNB Subsidiaries and Affiliates will not), without the prior written approval of the Board of Directors of CHC or any committee thereof: (i) directly purchase or otherwise acquire, or enter into any agreement to purchase or otherwise acquire, any equity securities of CHC, any warrants or options to purchase such equity securities, any securities convertible into such equity securities, or any other rights to acquire such equity securities, (ii) make or in any way participate directly or indirectly in any "solicitation" of "proxies" (as such terms are used in the proxy rules of the SEC), to vote any equity securities of CHC (unless any third party shall then be engaged in such a solicitation and such solicitation relates to a contest for control of CHC and except that this clause (ii) shall not apply to solicitations made by CHC), or (iii) make any public request to waive any provision of this Section 8.10 or to permit any action prohibited by this Section 8.10 to be taken. Notwithstanding the foregoing, nothing in this Section 8.10 shall prohibit FNB from indirectly acquiring any equity securities of CHC by acquiring through merger, consolidation or otherwise, a financial institution which owns equity securities of CHC.

8.11 *Accounting and Tax Treatment.* Each of the Parties undertakes and agrees to use its reasonable best efforts to cause the Merger, and to take no action which would cause the Merger not, to qualify for treatment as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code for federal income tax purposes. FNB and CHC undertake and agree to use their respective reasonable best efforts to cause the Merger, and to take no action that would cause the Merger not, to qualify for pooling-of-interests accounting treatment.

8.12 *State Takeover Laws.* Each CHC Company shall take all necessary steps to exempt the transactions contemplated by this Agreement from, or if necessary challenge the validity or applicability of, any applicable Takeover Laws.

8.13 *Articles of Incorporation Provisions.* Each CHC Company shall take all necessary action to ensure that the entering into of this Agreement and the consummation of the Merger and the other transactions contemplated hereby do not and will not result in the grant of any rights to any Person under the Articles of Incorporation, Bylaws, or other governing instruments of any CHC Company or restrict or impair the ability of FNB or any of its Subsidiaries to vote, or otherwise to exercise the rights of a shareholder with respect to, shares of any CHC Company that may be directly or indirectly acquired or controlled by it.

8.14 *Agreement of Affiliates.* CHC has disclosed in Section 8.14 of the CHC Disclosure Memorandum all Persons whom it reasonably believes are "affiliates" of CHC for purposes of Rule 145 under the 1933 Act. CHC shall use its reasonable best efforts to cause each such Person to deliver to FNB not later than 10 days prior to the Effective Time, a written agreement, substantially in the form of Exhibit 2 hereto, providing that such Person will not sell, pledge, transfer, or otherwise dispose of the CHC Common Shares held by such Person except as contemplated by such agreement or by this Agreement and will not sell, pledge, transfer, or otherwise dispose of the shares of FNB Common Stock to be received by such Person upon consummation of the Merger except in compliance with applicable provisions of the 1933 Act and the rules and regulations thereunder and until such time as financial results covering at least 30 days of combined operations of FNB and CHC have been published within the meaning of Section 201.01 of the SEC's Codification of Financial Reporting Policies. Shares of FNB Common Stock issued to such affiliates of CHC in exchange for CHC Common Shares shall not be transferable until such time as financial results covering at least 30 days of combined operations of FNB and CHC have been published within the meaning of Section 201.01 of the SEC's Codification of Financial Reporting Policies, regardless of whether each such affiliate has provided the written agreement referred to in this Section 8.14 (and FNB shall be entitled to place restrictive legends upon certificates for shares of FNB Common Stock issued to affiliates of CHC pursuant to this Agreement to enforce the provisions of this Section 8.14). FNB shall not be required to maintain the effectiveness of the Registration Statement under the 1933 Act for the purposes of resale of FNB Common Stock by such affiliates.

8.15 *Employee Benefits and Contracts.* All employees of CHC at the Effective Time shall become employees of First National Bank of Florida. Following the Effective Time, Southwest shall provide generally to officers and employees of CHC employee benefits under employee benefit plans (other than stock option or other plans involving the potential issuance of FNB Common Stock), on terms and conditions which when taken as a whole are no less favorable than those currently provided by CHC or those currently provided by Southwest and its subsidiaries to their similarly situated officers and employees, whichever is more favorable to officers and employees of CHC. For purposes of participation and vesting (but not benefit accrual under any employee benefit plans of Southwest and its subsidiaries other than the CHC Benefit Plans) under such employee benefit plans, the service of the employees of CHC prior to the Effective Time shall be treated as service with Southwest and its subsidiaries participating in such employee benefit plans. FNB shall, and shall cause its Subsidiaries to, honor in accordance with their terms all employment, severance, consulting, and other compensation Contracts disclosed in Section 8.15 of the CHC Disclosure Memorandum between CHC and any current or former director, officer, or employee thereof, and all provisions for vested benefits or other vested amounts earned or accrued through the Effective Time under the CHC Benefit Plans.

8.16 *Retention of Directors.* Immediately following the Effective Time and for a period of one year, FNB shall cause the present directors of CHC to be nominated and elected directors of First National Bank of Florida at a rate of compensation for their services in an amount at least equal to that which they are receiving from CHC as of the date of this Agreement.

8.17 *Employment Contracts of Certain Officers.* Southwest, at the Effective Time, shall enter into an Employment Agreement with David P. Stone containing such terms and conditions as mutually agreeable. In consideration of the entering into such employment agreement, Mr. Stone shall, at the Effective Time, cancel and terminate the employment agreement dated as of December 16, 1986, entered into with CHC including, without limitation, the provision respecting change in control.

8.18 *Indemnification.*

(a) FNB shall, and shall cause the Surviving Corporation (and its successors and assigns) to, indemnify, defend, and hold harmless the present and former directors, officers, employees, and agents of CHC (each, an "Indemnified Party") after the Effective Time against all costs, fees, or expenses (including reasonable attorneys' fees), judgments, fines, penalties, losses, claims, damages, liabilities, and amounts paid in settlement in connection with any Litigation arising out of actions or omissions occurring at or prior to the Effective Time (including the transactions contemplated by this Agreement) to the full extent permitted under Florida Law and by CHC's Articles of Incorporation and Bylaws as in effect on the date hereof, including provisions relating to advances of expenses incurred in the defense of any Litigation. Without limiting the foregoing, in any case in which approval by FNB is required to effectuate any indemnification, FNB shall direct, or cause such FNB Company to direct, at the election of the Indemnified Party, that the determination of any such approval shall be made by independent counsel mutually agreed upon between FNB and the Indemnified Party. FNB shall, and shall cause the Surviving Corporation and all other relevant FNB Companies, to apply such rights of indemnification in good faith and to the fullest extent permitted by applicable Law.

(b) Incident to any information furnished or disclosed by FNB or any FNB Company in connection with the Registration Statement and Proxy Statement, and subject to applicable Law, FNB shall indemnify, defend, and hold harmless the Indemnified Parties against all costs or expenses (including reasonable attorneys' fees), judgments, fines, penalties, losses, claims, damages, liabilities, and amounts paid in settlement in connection with any Litigation, whether civil or criminal, administrative, or investigative, arising out of or under the Securities Laws or any state blue sky or securities Laws based in whole or in part on (i) any untrue statement or alleged untrue statement of a material fact contained in such documents, including any amendment or supplement to such document, (ii) any omission or alleged omission to state in such documents a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any violation by FNB or an FNB Company of the Securities Laws or any state blue sky or securities Laws in connection with such documents; provided, however, that neither FNB or any FNB Company will be liable in any such case to the extent that any such claim, action, suit, proceeding or investigation is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement and Proxy Statement or any amendment thereto in reliance upon and in conformity with information furnished in writing to FNB or any FNB Company by CHC or any Indemnified Party specifically for use therein.

(c) CHC and each Indemnified Party, jointly and severally, shall indemnify and hold harmless FNB, any FNB Company, each of its directors, officers, employees and agents, and each person who controls FNB or any FNB Company, against all costs or expenses (including reasonable attorneys' fees), judgments, fines, penalties, losses, claims, damages, liabilities, and amounts paid in settlement in connection with any Litigation, whether civil or criminal, administrative, or investigative, arising out of or under the Securities Laws or any state blue sky or securities Laws based in whole or in part on (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or Proxy Statement (including any amendment or supplement to such document); or (ii) any omission or alleged omission to state in such documents material facts required to be stated therein or necessary to make the statements therein not misleading; provided, however, that CHC will not be liable in any such case to the extent that any such claim, action, suit, proceeding, or investigation is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such Registration

Statement or Proxy Statement or any amendment thereto in reliance upon and conformity with information furnished in writing to CHC by FNB specifically for use therein.

(d) If FNB or the Surviving Corporation or any of their successors or assigns shall consolidate with or merge into any other Person and shall not be the continuing or surviving Person of such consolidation or merger or shall transfer all or substantially all of its assets to any Person, then and in each case, proper provision shall be made so that the successors and assigns of FNB shall assume the obligations set forth in this Section 8.18.

(e) The provisions of this Section 8.18 are intended to be for the benefit of and shall be enforceable by, each Indemnified Party, his or her heirs and representatives and shall survive the consummation of the Merger and be binding on all successors and assigns of FNB and the Surviving Corporation.

(f) Prior to Closing, CHC shall purchase for, and on behalf of, its current and former officers and directors, extended coverage under the current directors' and officers' liability insurance policy maintained by CHC to provide for continued coverage of such insurance for a period of two years following the date of Closing with respect to matters occurring prior to the Effective Time.

ARTICLE 9

CONDITIONS PRECEDENT TO OBLIGATIONS TO CONSUMMATE

9.1 *Conditions to Obligations of Each Party.* The respective obligations of each Party to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by both Parties pursuant to Section 11.7 of this Agreement:

(a) *Shareholder Approval.* The shareholders of CHC shall have approved this Agreement, and the consummation of the transactions contemplated hereby, including the Merger, as and to the extent required by Law and the rules and regulations of Nasdaq.

(b) *Regulatory Approvals.* All Consents of, filings and registrations with, and notifications to, all Regulatory Authorities required for consummation of the Merger shall have been obtained or made and shall be in full force and effect and all waiting periods required by Law shall have expired. No Consent obtained from any Regulatory Authority which is necessary to consummate the transactions contemplated hereby shall be conditioned or restricted in a manner (including requirements relating to the raising of additional capital or the disposition of Assets) which in the reasonable judgment of the Board of Directors of either Party would so materially adversely impact the economic or business benefits of the transactions contemplated by this Agreement that, had such condition or requirement been known, such Party would not, in its reasonable judgment, have entered into this Agreement.

(c) *Consents and Approvals.* Other than filing the Florida Articles of Merger, each Party shall have obtained any and all Consents required for consummation of the Merger (other than those referred to in Section 9.1(b) of this Agreement or listed in Section 9.1(c) of the CHC Disclosure Memorandum) or for the preventing of any default under any Contract or Permit of such Party which, if not obtained or made, is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on such Party.

(d) *Legal Proceedings.* No court or governmental or regulatory authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any Law or Order (whether temporary, preliminary, or permanent) or taken any other action which prohibits, restricts, or makes illegal consummation of the transactions contemplated by this Agreement.

(e) *Registration Statement.* The Registration Statement shall have been declared effective under the 1933 Act, and no stop orders suspending the effectiveness of the Registration Statement shall have been issued, and no action, suit, proceeding, or investigation by the SEC to suspend the effectiveness thereof shall have been initiated and be continuing, and all necessary approvals under state securities Laws or the 1933 Act or 1934 Act relating to the issuance or trading of the shares of FNB Common Stock issuable pursuant to the Merger shall have been received.

(f) *Pooling of Interests.* Ernst & Young LLP, FNB's independent public accountants, shall have issued a letter dated as of the Effective Time, to CHC and FNB, respectively, to the effect that the Merger shall be accounted for as a pooling-of-interests under GAAP.

(g) *Tax Matters.* Each Party shall have received a written opinion or opinions from Smith, Gambrell & Russell, LLP, and in a form reasonably satisfactory to such Parties (the "Tax Opinion"), to the effect that (i) the Merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (ii) the exchange in the Merger of CHC Common Shares for FNB Common Stock will not give rise to gain or loss to the shareholders of CHC with respect to such exchange (except to the extent of any cash received). In rendering such Tax Opinion, such counsel shall be entitled to rely upon representations of officers of CHC and FNB reasonably satisfactory in form and substance to such counsel.

9.2 *Conditions to Obligations of FNB.* The obligations of FNB to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by FNB pursuant to Section 11.7(a) of this Agreement:

(a) *Completion of Due Diligence Investigation.* (i) As a result of FNB's due diligence investigation of CHC and its business and operations, which investigation shall be completed within fourteen (14) calendar days from the date of this Agreement, there shall not have been discovered by FNB, and reported in writing to CHC during such fourteen (14) calendar day period, any circumstance or condition in connection with a review of CHC Financial Statements, the general ledger and subsidiary ledgers maintained by CHC, CHC Contracts, minute books maintained by CHC of meetings of the Board of Directors, committees of the Board and meetings of shareholders, stock transfer records, credit or loan files, records regarding the calculation of CHC's allocation for loan and lease loss, records relating to transactions in CHC's securities portfolio, and Reports of Examination prepared by both the Federal Reserve Bank of Atlanta and the Federal Deposit Insurance Corporation which would require under GAAP a negative adjustment to shareholders' equity as set forth in the CHC Financial Statements of an amount equal to or greater than \$100,000; (ii) Upon receipt of such written notice as set forth in this Section 9.2(a)(i) CHC shall have thirty (30) days to provide FNB with written evidence that the circumstance or condition giving rise to FNB's written notification pursuant to Section 9.2(a)(i) has been cured. In the event that FNB receives no notification from CHC during the thirty (30) days following a written notification to CHC pursuant to Section 9.2(a)(i) then CHC's right to cure under this provision shall have expired; and (iii) No item set forth in the CHC Disclosure Memorandum shall serve as a basis for notification by FNB to CHC pursuant to Section 9.2(a)(i) hereof.

(b) *Representations and Warranties.* For purposes of this Section 9.2(b), the accuracy of the representations and warranties of CHC set forth in this Agreement shall be assessed as of the date of this Agreement and as of the Effective Time with the same effect as though all such representations and warranties had been made on and as of the Effective Time (provided that representations and warranties which are confined to a specified date shall speak only as of such date). The representations and warranties of CHC set forth in Section 5.3 of this Agreement shall be true and correct (except for inaccuracies which are de minimus in amount). The representations and warranties of CHC set forth in Sections 5.17, 5.18, and 5.19 of this Agreement shall be true and correct in all material respects. There shall not exist inaccuracies in the representations and warranties of CHC set forth in this Agreement (including the representations and warranties set forth in Sections 5.3, 5.17, 5.18 and 5.19) such that the aggregate effect of such inaccuracies has, or is reasonably likely to have, a Material Adverse Effect on CHC and its Subsidiaries taken as a whole; provided that, for purposes of this sentence only, those representations and warranties which are qualified by references to "material" or "Material Adverse Effect" shall be deemed not to include such qualifications.

(c) *Performance of Agreements and Covenants.* Each and all of the agreements and covenants of CHC to be performed and complied with pursuant to this Agreement and the other agreements contemplated hereby prior to the Effective Time shall have been duly performed and complied with in all material respects.

(d) *Certificates.* CHC shall have delivered to FNB (i) a certificate, dated as of the Effective Time and signed on its behalf by its chief executive officer and its chief financial officer, to the effect that the conditions of its obligations set forth in Section 9.2(b) and 9.2(c) of this Agreement have been satisfied, and (ii) certified copies of resolutions duly adopted by CHC's Board of Directors and shareholders evidencing the taking of all corporate action necessary to authorize the execution, delivery, and performance of this Agreement, and the consummation of the transactions contemplated hereby, all in such reasonable detail as FNB and its counsel shall request.

(e) *Affiliates Agreements.* FNB shall have received from each affiliate of CHC the affiliates letter referred to in Section 8.14 of this Agreement, to the extent necessary to assure in the reasonable judgment of FNB that the transactions contemplated hereby will qualify for pooling-of-interests accounting treatment.

(f) *Opinion of Counsel.* FNB shall have received a written opinion of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., counsel to CHC, dated as of the Effective Time, with respect to such matters and in such form as shall be agreed upon between such firm and FNB.

(g) *Non-Competition Agreements.* FNB shall have received an executed copy of the Non-Compete Agreement in the form attached to this Agreement as Exhibit 3 from each director of CHC.

9.3 *Conditions to Obligations of CHC.* The obligations of CHC to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by CHC pursuant to Section 11.7(b) of this Agreement:

(a) *Representations and Warranties.* For purposes of this Section 9.3(a), the accuracy of the representations and warranties of FNB set forth in this Agreement shall be assessed as of the date of this Agreement and as of the Effective Time with the same effect as though all such

representations and warranties had been made on and as of the Effective Time (provided that representations and warranties which are confined to a specified date shall speak only as of such date). The representations and warranties of FNB set forth in Section 6.3 of this Agreement shall be true and correct (except for inaccuracies which are de minimus in amount). The representations and warranties of FNB set forth in Sections 6.11, 6.13 and 6.15 of this Agreement shall be true and correct in all material respects. There shall not exist inaccuracies in the representations and warranties of FNB set forth in this Agreement (including the representations and warranties set forth in Sections 6.3, 6.11, 6.13 and 6.15) such that the aggregate effect of such inaccuracies has, or is reasonably likely to have, a Material Adverse Effect on FNB; provided that, for purposes of this sentence only, those representations and warranties which are qualified by references to "material" or "Material Adverse Effect" shall be deemed not to include such qualifications.

(b) *Performance of Agreements and Covenants.* Each and all of the agreements and covenants of FNB to be performed and complied with pursuant to this Agreement and the other agreements contemplated hereby prior to the Effective Time shall have been duly performed and complied with in all material respects.

(c) *Certificates.* FNB shall have delivered to CHC (i) a certificate, dated as of the Effective Time and signed on its behalf by its chief executive officer and its chief financial officer, to the effect that the conditions of its obligations set forth in Section 9.3(b) and 9.3(c) of this Agreement have been satisfied, and (ii) certified copies of resolutions duly adopted by FNB's Board of Directors evidencing the taking of all corporate action necessary to authorize the execution, delivery, and performance of this Agreement, and the consummation of the transactions contemplated hereby, all in such reasonable detail as Southwest and its counsel shall request.

(d) *Fairness Opinion.* CHC shall have received from Allen C. Ewing & Co. a letter, dated not more than five business days prior to the date of the Proxy Statement, to the effect that, in the opinion of such firm, the Exchange Ratio is fair, from a financial point of view, to the holders of CHC Common Stock.

(e) *Payment of Consideration.* FNB shall have delivered to the Exchange Agent the consideration to be paid to holders of the CHC Common Stock pursuant to Sections 3.1 and 3.4 of this Agreement.

(f) *Opinion of Counsel.* CHC shall have received a written opinion of Smith, Gambrell & Russell, LLP, counsel to FNB, dated as of the Effective Time, with respect to such matters and in such form as shall be agreed upon between such firm and CHC.

(g) *Completion of Due Diligence Investigation.* (i) As a result of CHC's due diligence investigation of FNB and its business and operations, which investigation shall be completed within fourteen (14) calendar days from the date of this Agreement, there shall not have been discovered by CHC, and reported in writing to FNB during such fourteen (14) calendar day period, any circumstance or condition in connection with a review of FNB Financial Statements, FNB Contracts, minute books maintained by FNB of meetings of the Board of Directors, Committees of the Board and meetings of shareholders, and Reports of Examination prepared by both the Federal Reserve Bank of Cleveland and the Comptroller of the Currency which would have a Material Adverse Effect on FNB. (ii) Upon receipt of such written notice as set forth in this Section 9.2(g)(i) FNB shall have thirty (30) days to provide CHC with written evidence that the circumstance or condition giving rise to CHC's written notification pursuant to Section 9.2(g)(i) has been cured. In the event that CHC receives no notification from FNB during the

thirty (30) days following a written notification to FNB pursuant to Section 9.2(g)(i) then FNB's right to cure under this provision shall have expired. (iii) No item set forth in the FNB Disclosure Memorandum shall serve as a basis for notification by CHC to FNB pursuant to Section 9.2(g)(i) hereof.

ARTICLE 10

TERMINATION

10.1 *Termination.* Notwithstanding any other provision of this Agreement, and notwithstanding the approval of this Agreement by the shareholders of CHC, this Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time:

(a) By mutual written consent of the Board of Directors of FNB and the Board of Directors of CHC; or

(b) By the Board of Directors of either FNB or CHC (provided that the terminating Party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 9.2(b) of this Agreement in the case of CHC and Section 9.3(a) in the case of FNB or in material breach of any covenant or other agreement contained in this Agreement) in the event of an inaccuracy of any representation or warranty of the other Party contained in this Agreement which cannot be or has not been cured within 30 days after the giving of written notice to the breaching Party of such inaccuracy and which inaccuracy would provide the terminating Party the ability to refuse to consummate the Merger under the applicable standard set forth in Section 9.2(b) of this Agreement in the case of CHC and Section 9.3(a) of this Agreement in the case of FNB; or

(c) By the Board of Directors of either FNB or CHC in the event of a material breach by the other Party of any covenant, agreement, or obligation contained in this Agreement which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching Party of such breach; or

(d) By the Board of Directors of either FNB or CHC in the event (i) any Consent of any Regulatory Authority required for consummation of the Merger and the other transactions contemplated hereby shall have been denied by final nonappealable action of such authority or if any action taken by such authority is not appealed within the time limit for appeal, or (ii) the shareholders of CHC fail to vote their approval of this Agreement and the transactions contemplated hereby as required by the FBCA at the Shareholders' Meeting where the transactions were presented to such shareholders for approval and voted upon; or

(e) By the Board of Directors of either FNB or CHC in the event that the Merger shall not have been consummated by December 31, 1998, if the failure to consummate the transactions contemplated hereby on or before such date is not caused by any breach of this Agreement by the Party electing to terminate pursuant to this Section 10.1(e); or

(f) By FNB in the event that dissenters' rights claimed pursuant to the applicable provisions of the FBCA, aggregate more than 10% of the issued and outstanding CHC Common Shares; or

(g) By CHC, if its Board of Directors determines by a vote of a majority of the members of its entire Board of Directors, at any time during the period commencing on the Determination Date and ending at the closing of business on the day before the Closing, the Designated Price of FNB Common Stock shall be less than \$34.125; or

(h) By the Board of Directors of either FNB or CHC (provided that the terminating Party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 9.2(b) of this Agreement in the case of CHC and Section 9.3(a) in the case of FNB or in material breach of any covenant or other agreement contained in this Agreement) in the event that any of the conditions precedent to the obligations of such Party to consummate the Merger cannot be satisfied or fulfilled by the date specified in Section 10.1(e) of this Agreement; or

(i) By CHC, if at any time prior to the Effective Time, the fairness opinion of Allen C. Ewing & Co. is withdrawn; or

(j) By CHC if prior to the Effective Time, a corporation, partnership, person, or other entity or group shall have made a bona fide Acquisition Proposal that the CHC Board determines in its good faith judgment and in the exercise of its fiduciary duties, with respect to legal matters on the written opinion of legal counsel and as to financial matters on the written opinion of an investment banking firm of national reputation, is more favorable to the CHC stockholders and that the failure to terminate this Agreement and accept such alternative Acquisition Proposal would be inconsistent with the proper exercise of such fiduciary duties.

10.2 *Effect of Termination.*

(a) In the event of the termination and abandonment of this Agreement pursuant to Section 10.1 of this Agreement, this Agreement shall become void and have no effect, except that (i) the provisions of this Section 10.2 and Sections 8.5 and 11.1 of this Agreement shall survive any such termination and abandonment, and (ii) a termination pursuant to Sections 10.1(b) or 10.1(c), of this Agreement shall not relieve the breaching Party from liability for an uncured willful breach of a representation, warranty, covenant, or agreement giving rise to such termination; provided, further, that in the event of any termination of this Agreement following the occurrence of an Initial Triggering Event (as defined in the Stock Option Agreement) other than termination due to: (A) the failure of FNB to satisfy a condition to Closing or a termination covered by Section 10.2(b) of this Agreement, (B) determination of FNB pursuant to Section 9.2(a) not to perform this Agreement, (C) withdrawal of the fairness opinion of Allen C. Ewing & Co. (so long as such withdrawal is not due to materially inaccurate or fraudulent information provided by CHC to Allen C. Ewing & Co.), or (D) the failure to satisfy the conditions set forth in Section 9.1 paragraphs (a), (b), (d), (e), (f) and (g), FNB shall be entitled to a cash payment from CHC in an amount equal to \$250,000 upon the occurrence of any Subsequent Triggering Event (as defined in the Stock Option Agreement) within twelve (12) months following the date of such termination (or such longer period as shall exist under the Stock Option Agreement until the occurrence of an Exercise Termination Date (as defined in the Stock Option Agreement)).

(b) In the event this Agreement is terminated as a result of FNB's failure to satisfy any of its representations, warranties or covenants set forth herein, FNB shall reimburse CHC for its reasonable out-of-pocket expenses relating to the Merger in an amount not to exceed \$150,000, which amount shall not be deemed an exclusive remedy or liquidated damages.

10.3 *Non-Survival of Representations and Covenants.* The respective representations and warranties of the Parties shall not survive the Effective Time. All agreements of the Parties to this Agreement which by their terms are to be performed following the Effective Time shall survive the Effective Time until performed in accordance with their terms.

ARTICLE 11

MISCELLANEOUS

11.1 *Definitions.*

(a) Except as otherwise provided herein, the capitalized terms set forth below shall have the following meanings:

"1933 Act" shall mean the Securities Act of 1933, as amended.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

"Acquisition Proposal" with respect to a Party shall mean any tender offer or exchange offer or any proposal for a merger, consolidation, acquisition of all of the stock or assets of, or other business combination involving such Party or any of its Subsidiaries or any proposal or offer to acquire in any manner a substantial equity interest in, or a substantial portion of the assets of, such Party or any of its Subsidiaries (other than the transactions contemplated or permitted by this Agreement).

"Affiliate" of a Person shall mean any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person.

"Agreement" shall mean this Agreement and Plan of Merger, including the Exhibits delivered pursuant hereto and incorporated herein by reference.

"Assets" of a Person shall mean all of the assets, properties, businesses, and rights of such Person of every kind, nature, character, and description, whether real, personal, or mixed, tangible or intangible, accrued or contingent, or otherwise relating to or utilized in such Person's business, directly or indirectly, in whole or in part, whether or not carried on the books and records of such Person, and whether or not owned in the name of such Person or any Affiliate of such Person and wherever located.

"BHC Act" shall mean the Federal Bank Holding Company Act of 1956, as amended.

"Change in Control of FNB" shall mean that at any time between the date of this Agreement and the Effective Time, any person, corporation, or group of associated persons acting individually or in concert enters into any agreement, understanding, contract, or other arrangement to acquire, or otherwise acquires (or the right to acquire) by merger, consolidation, the purchase of capital stock (or Rights to purchase capital stock) of FNB, or the purchase of substantially of the Assets of FNB, or otherwise becomes a direct or indirect beneficial owner of, shares of Common Stock of FNB representing an aggregate of more than 50% of the votes then entitled to be cast at an election of directors of FNB.

"CHC" shall have the meaning set forth in the first paragraph of this Agreement.

"CHC Benefits Plans" shall have the meaning set forth in Section 5.12(a) of this Agreement.

"CHC Common Shares" shall mean the \$0.10 par value common stock of CHC.

"CHC Contract" shall have the meaning set forth in Section 5.13.

"CHC Disclosure Memorandum" shall mean the written information entitled "CHC Disclosure Memorandum" delivered prior to the date of this Agreement to FNB describing in reasonable detail the matters contained therein and, with respect to each disclosure made therein, specifically referencing each Section of this Agreement under which such disclosure is being made. Information disclosed with respect to one Section shall not be deemed to be disclosed for purposes of any other Section not specifically referenced with respect thereto.

"CHC ERISA Plan" shall have the meaning set forth in Section 5.12(a) of this Agreement.

"CHC Financial Statements" shall mean (i) the consolidated balance sheets (including related notes and schedules, if any) of CHC as of December 31, 1997, 1996 and 1995, and the related statements of income, changes in shareholders' equity, and cash flows (including related notes and schedules, if any) for each of the three fiscal years ended December 31, 1997, 1996, and 1995, as filed by CHC with the Federal Reserve Bank of Atlanta and the Florida Department of Banking and Finance, and (ii) the consolidated balance sheets of CHC (including related notes and schedules, if any) and related statements of income, changes in shareholders' equity, and cash flows (including related notes and schedules, if any) included in CHC's Call Reports filed and published in accordance with applicable federal regulation with respect to periods ended subsequent to December 31, 1997.

"CHC Interim Balance Sheet" shall mean the consolidated balance sheet (including related notes and schedules, if any) of CHC as of March 31, 1998, when same becomes available.

"CHC Options" shall have the meaning set forth in Section 3.5(a) of this Agreement.

"CHC Stock Plans" shall have the meaning set forth in Section 3.5(a) of this Agreement.

"CHC Subsidiaries" shall mean the Subsidiaries of CHC, which shall include the CHC Subsidiaries described in Section 5.4 of this Agreement and any corporation, bank, savings association, or other organization acquired as a Subsidiary of CHC in the future and owned by CHC at the Effective Time.

"Closing" shall have the meaning set forth in Section 1.2 of this Agreement.

"Consent" shall mean any consent, approval, authorization, clearance, exemption, waiver, or similar affirmation by any Person.

"Contract" shall mean any written agreement, commitment, contract, note, bond, mortgage, indenture, instrument, lease, obligation, or plan of any kind or character, or other document to which any Person is a party or that is binding on any Person or its capital stock or Assets.

"Default" shall mean (i) any breach or violation of or default under any Contract, (ii) any occurrence of any event that with the passage of time or the giving of notice or both would constitute a breach or violation of or default under any Contract, or (iii) any occurrence of any event that with or without the passage of time or the giving of notice would give rise to a right to terminate or revoke, change the current terms of, or renegotiate, or to accelerate, increase, or impose any liability under, any Contract where, in any such event, such default is reasonably likely to have a Material Adverse Effect on a Party.

"Derivatives Contract" shall have the meaning set forth in Section 5.19 of this Agreement.

"Designated Price" shall mean the average of the high and low price of FNB Common Stock as reported by Nasdaq (as reported in the Wall Street Journal, or if not reported thereby, another authoritative source selected by FNB) or such other trading system or exchange upon which the FNB Common Stock shall then be traded for the ten (10) consecutive full trading days in which such shares are traded ending on the fifth business day preceding the Determination Date.

"Determination Date" shall mean the date on which the last of the following occurs: (i) the effective date (including expiration of any applicable waiting period required by Law) of the last required Consent of any Regulatory Authority having authority over and approving or exempting the Merger, and (ii) the date on which the shareholders of CHC approve this Agreement to the extent that such approval is required by applicable Law.

"Dissent Provisions" shall have the meaning set forth in Section 3.5(e) of this Agreement.

"Dissenting CHC Shares" shall have the meaning set forth in Section 3.5(e) of this Agreement.

"Dissenting Shareholders" shall have the meaning set forth in Section 3.5(e) of this Agreement.

"Effective Time" shall have the meaning set forth in Section 1.3 of this Agreement.

"Environmental Laws" shall mean all Laws relating to pollution or protection of human health or the environment (including ambient air, surface water, ground water, land surface, or subsurface strata) and which are administered, interpreted, or enforced by the United States Environmental Protection Agency and state and local agencies with jurisdiction over, and including common law in respect of, pollution or protection of the environment, including 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., and other Laws relating to emissions, discharges, releases, or threatened releases of any Hazardous Material, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of any Hazardous Material.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Agent" shall have the meaning set forth in Section 4.1 of this Agreement.

"Exchange Ratio" shall have the meaning set forth in Section 3.1(c) of this Agreement.

"Exhibits" 1, 2 and 3 shall mean the Exhibits so marked, copies of which are attached to this Agreement. Such Exhibits are hereby incorporated by reference herein and made a part hereof, and may be referred to in this Agreement and any other related instrument or document without being attached hereto.

"FBCA" shall mean the Florida Business Corporation Act.

"Florida Articles of Merger" shall mean the Articles of Merger to be executed by FNB and filed with the Secretary of State of the State of Florida relating to the Merger as contemplated by Section 1.1 of this Agreement.

"FNB" shall have the meaning set forth in the first paragraph of this Agreement.

"FNB Capital Stock" shall have the meaning set forth in Section 6.3 of this Agreement.

"FNB Common Stock" shall mean the \$2 par value common stock of FNB.

"FNB Companies" shall mean, collectively, FNB and all FNB Subsidiaries.

"FNB Disclosure Memorandum" shall mean the written information entitled "FNB Corporation Disclosure Memorandum" delivered prior to the date of this Agreement to CHC describing in reasonable detail the matters contained therein and, with respect to each disclosure made therein, specifically referencing each Section of this Agreement under which such disclosure is being made.

"FNB Financial Statements" shall mean (i) the consolidated statements of condition (including related notes and schedules, if any) as of December 31, 1997 and 1996, and the related statements of income, changes in shareholders' equity, and cash flows (including related notes and schedules, if any) for each of the three years ended December 31, 1997, 1996, and 1995, as filed by FNB in SEC Documents, and (ii) the consolidated statements of condition of FNB (including related notes and schedules, if any) and related statements of income, changes in shareholders' equity, and cash flows (including related notes and schedules, if any) included in SEC Documents filed with respect to periods ended subsequent to December 31, 1997.

"FNB Preferred Stock" shall mean the \$10 par value preferred stock of FNB.

"FNB SEC Reports" shall have the meaning set forth in Section 6.5(a) of this Agreement.

"FNB Subsidiaries" shall mean the Subsidiaries of FNB, which shall include any corporation, bank, savings association, or other organization acquired as a Subsidiary of FNB in the future and owned by FNB at the Effective Time.

"GAAP" shall mean generally accepted accounting principles in the United States, consistently applied during the periods involved applicable to banks or bank holding companies, as the case may be.

"Hazardous Material" shall mean (i) any hazardous substance, hazardous material, hazardous waste, regulated substance, or toxic substance (as those terms are defined by any applicable Environmental Laws) and (ii) any chemicals, pollutants, contaminants, petroleum, petroleum products, or oil (and specifically shall include asbestos requiring abatement, removal,

or encapsulation pursuant to the requirements of governmental authorities and any polychlorinated biphenyls).

"HSR Act" shall mean Section 7A of the Clayton Act, as added by Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indemnified Party" shall have the meaning set forth in Section 8.18 of this Agreement.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Knowledge" as used with respect to a Person (including references to such Person being aware of a particular matter) shall mean the personal knowledge of the chairman, president, chief financial officer, chief accounting officer, chief credit officer, general counsel, any assistant or deputy general counsel, or any senior or executive vice president of such Person and the knowledge of any such Persons obtained or which would have been obtained from a reasonable investigation.

"Law" shall mean any code, law, ordinance, regulation, reporting or licensing requirement, rule, or statute applicable to a Person or its Assets, liabilities, or business, including those promulgated, interpreted, or enforced by any Regulatory Authority.

"Lien" with respect to any Asset, shall mean any conditional sale agreement, default of title, easement, encroachment, encumbrance, hypothecation, infringement, lien, mortgage, pledge, reservation, restriction, security interest, title retention, or other security arrangement, or any adverse right or interest, charge, or claim of any nature whatsoever of, on, or with respect to any property or property interest, other than (i) Liens for current property Taxes not yet due and payable or being contested in good faith, (ii) for depository institution Subsidiaries of a Party, pledges to secure deposits, and (iii) other Liens incurred in the ordinary course of the banking business.

"Litigation" shall mean any action, arbitration, cause of action, claim, complaint, criminal prosecution, demand letter, governmental or other examination or investigation, hearing, inquiry, administrative or other proceeding, or notice by any Person alleging potential liability.

"Loan Property" shall mean any property owned, leased, or operated by the Party in question or by any of its Subsidiaries or in which such Party or its Subsidiary holds a security or other interest (including an interest in a fiduciary capacity), and, where required by the context, includes the owner or operator of such property, but only with respect to such property.

"market price" shall have the meaning set forth in Section 3.4 of this Agreement.

"Material Adverse Effect" on a Party shall mean an event, change, or occurrence which, individually or together with any other event, change, or occurrence, has a material adverse impact on (i) the financial position, business, or results of operations of such Party and its Subsidiaries, taken as a whole, or (ii) the ability of such Party to perform its obligations under this Agreement or to consummate the Merger or the other transactions contemplated by this Agreement, provided that *"Material Adverse Effect"* shall not be deemed to include the impact of (a) changes in banking and similar Laws of general applicability or interpretations thereof by courts or

governmental authorities, (b) changes in GAAP or regulatory accounting principles generally applicable to banks and their holding companies, (c) actions and omissions of a Party (or any of its Subsidiaries) taken with the prior informed consent of the other Party in contemplation of the transactions contemplated hereby, (d) circumstances affecting regional bank holding companies generally, and (e) the Merger and compliance with the provisions of this Agreement on the operating performance of the Parties.

"Merger" shall have the meaning set forth in the Preamble of this Agreement.

"Nasdaq" shall mean the Nasdaq Stock Market, Inc.

"Order" shall mean any decree, injunction, judgment, order, decision or award, ruling, or writ of any federal, state, local, or foreign or other court, arbitrator, mediator, tribunal, administrative agency, or Regulatory Authority.

"Participation Facility" shall mean any facility or property in which the Party in question or any of its Subsidiaries participates in the management and, where required by the context, said term means the owner or operator of such facility or property, but only with respect to such facility or property.

"Party" shall mean either CHC or FNB or Southwest, and *"Parties"* shall mean CHC, FNB and Southwest.

"PBCL" shall mean the Pennsylvania Business Corporation Law.

"Permit" shall mean any federal, state, local, and foreign governmental approval, authorization, certificate, easement, filing, franchise, license, notice, permit, or right to which any Person is a party or that is or may be binding upon or inure to the benefit of any Person.

"Person" shall mean a natural person or any legal, commercial, or governmental entity, such as, but not limited to, a corporation, general partnership, joint venture, limited partnership, limited liability company, trust, business association, group acting in concert, or any person acting in a representative capacity.

"Proxy Statement" shall mean the proxy statement used by CHC to solicit the approval of its shareholders of the transactions contemplated by this Agreement, which shall include the prospectus of FNB relating to the issuance of the FNB Common Stock to holders of CHC Common Shares.

"Registration Statement" shall mean the Registration Statement on Form S-4, or other appropriate form, including any pre-effective or post-effective amendments or supplements thereto, filed with the SEC by FNB under the 1933 Act with respect to the shares of FNB Common Stock to be issued to the shareholders of CHC in connection with the transactions contemplated by this Agreement.

"Regulatory Authorities" shall mean, collectively, the Federal Trade Commission, the United States Department of Justice, the Board of the Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the SEC, NASD, Nasdaq and all state regulatory agencies having jurisdiction over the Parties and their respective Subsidiaries.

"Rights" shall mean all arrangements, calls, commitments, options, rights to subscribe to, scrip, understandings, warrants, or other binding obligations of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of the capital stock of a Person or any contract, commitments or other arrangements by which a Person is or may be bound to issue additional shares of its capital stock or options, warrants, rights to purchase or acquire any additional shares of its capital stock, or options, warrants, or rights to purchase or acquire any additional shares of its capital stock.

"SEC" shall mean the Securities and Exchange Commission.

"SEC Documents" shall mean all forms, proxy statements, registration statements, reports, schedules, and other documents filed, or required to be filed, by a Party or any of its Subsidiaries with any Regulatory Authority pursuant to the Securities Laws.

"Securities Laws" shall mean the Securities Act of 1933, as amended (the "1933 Act"), the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Investment Company Act of 1940, as amended, the Investment Advisors Act of 1940, as amended, the Trust Indenture Act of 1939, as amended, and the rules and regulations of any Regulatory Authority promulgated thereunder.

"Shareholders' Meeting" shall mean the meeting of the shareholders of CHC to be held pursuant to Section 8.1 of this Agreement, including any adjournment or adjournments thereof.

"Southwest" shall have the meaning set forth in the first paragraph of this Agreement.

"Stock Option Agreement" shall have the meaning set forth in the Preamble of this Agreement.

"Subsidiaries" shall mean all those corporations, banks, associations, or other entities of which the entity in question owns or controls 50% or more of the outstanding equity securities either directly or through an unbroken chain of entities as to each of which 50% or more of the outstanding equity securities is owned directly or indirectly by its parent; provided, there shall not be included any such entity acquired through foreclosure or any such entity the equity securities of which are owned or controlled in a fiduciary capacity.

"Surviving Corporation" shall mean Southwest as the surviving corporation resulting from the Merger.

"Tax" or *"Taxes"* shall mean all federal, state, local, and foreign taxes, charges, fees, levies, imposts, duties, or other assessments, including income, gross receipts, excise, employment, sales, use, transfer, license, payroll, franchise, severance, stamp, occupation, windfall profits, environmental, federal highway use, commercial rent, customs duties, capital stock, paid-up capital, profits, withholding, Social Security, single business and unemployment, disability, real property, personal property, registration, ad valorem, value added, alternative or add-on minimum, estimated, or other tax or governmental fee of any kind whatsoever, imposed or required to be withheld by the United States or any state, local, foreign government or subdivision or agency thereof, including any interest, penalties or additions thereto.

"Tax Opinion" shall have the meaning set forth in Section 9.1(g) of this Agreement.

"Taxable Period" shall mean any period prescribed by any governmental authority, including the United States or any state, local, foreign government or subdivision or agency thereof for which a Tax Return is required to be filed or Tax is required to be paid.

"Tax Return" shall mean any report, return, information return, or other information required to be supplied to a taxing authority in connection with Taxes, including any return of an affiliated or combined or unitary group that includes a Party or its Subsidiaries.

(b) Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation."

11.2 *Expenses.*

(a) Except as otherwise provided in this Section 11.2 and Section 10.2, each of FNB and CHC shall bear and pay all direct costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including filing, registration, and application fees, printing fees, and fees and expenses of its own financial or other consultants, investment bankers, accountants, and counsel, except that each of FNB and CHC shall each bear and pay one-half of the printing costs incurred in connection with the printing of the Registration Statement and the Proxy Statement.

(b) Nothing contained in this Section 11.2 shall constitute or shall be deemed to constitute an exclusive remedy or liquidated damages for the willful breach by a Party of the terms of this Agreement or otherwise limit the rights of the nonbreaching Party.

11.3 *Brokers and Finders.* Except for Allen C. Ewing & Co., as to CHC, each of the Parties represents and warrants that neither it nor any of its officers, directors, employees, or Affiliates has employed any broker or finder in connection with this Agreement or the transactions contemplated hereby. In the event of a claim by any broker or finder based upon his or its representing or being retained by or allegedly representing or being retained by CHC or FNB, each of CHC and FNB, as the case may be, agrees to indemnify and hold the other Party harmless of and from any liability in respect of any such claim.

11.4 *Entire Agreement.* Except as otherwise expressly provided herein, this Agreement constitutes the entire agreement between the Parties with respect to the transactions contemplated hereunder and supersedes all prior arrangements or understandings with respect thereto, written or oral. Other than as provided in Sections 8.15, 8.16, 8.17 and 8.18, nothing in this Agreement expressed or implied, is intended to confer upon any Person, other than the Parties or their respective successors, any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

11.5 *Amendments.* To the extent permitted by Law, this Agreement may be amended by a subsequent writing signed by each of the Parties upon the approval of the Boards of Directors of each of the Parties, whether before or after shareholder approval of this Agreement has been obtained; provided, that after any such approval by the holders of CHC Common Shares, there shall be made no amendment that reduces or modifies in any material respect the consideration to be received by holders of CHC Common Shares without the further approval of such shareholders.

11.6 *Obligations of FNB.* Whenever this Agreement requires FNB (including the Surviving Corporation) to take any action, such requirement shall be deemed to include an undertaking by FNB to cause the FNB Subsidiaries to take such action.

11.7 *Waivers.*

(a) Prior to or at the Effective Time, FNB, acting through its Board of Directors, chief executive officer, president, or other authorized officer, shall have the right to waive any default in the performance of any term of this Agreement by CHC, to waive or extend the time for the compliance or fulfillment by CHC of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of FNB under this Agreement, except any condition which, if not satisfied, would result in the violation of any Law. No such waiver shall be effective unless in writing signed by a duly authorized officer of FNB.

(b) Prior to or at the Effective Time, CHC, acting through its Board of Directors, chief executive officer, president or other authorized officer, shall have the right to waive any default in the performance of any term of this Agreement by FNB, to waive or extend the time for the compliance or fulfillment by FNB of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of CHC under this Agreement, except any condition which, if not satisfied, would result in the violation of any Law. No such waiver shall be effective unless in writing signed by a duly authorized officer of CHC.

(c) The failure of any Party at any time or times to require performance of any provision hereof shall in no manner affect the right of such Party at a later time to enforce the same or any other provision of this Agreement. No waiver of any condition or of the breach of any term contained in this Agreement in one or more instances shall be deemed to be or construed as a further or continuing waiver of such condition or breach or a waiver of any other condition or of the breach of any other term of this Agreement.

11.8 *Assignment.* Except as expressly contemplated hereby, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any Party hereto (whether by operation of Law or otherwise) without the prior written consent of the other Party. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors, and assigns.

11.9 *Notices.* All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered by hand, by facsimile transmission, by registered or certified mail, postage pre-paid, or by courier or overnight carrier, to the persons at the addresses set forth below (or at such other address as may be provided hereunder), and shall be deemed to have been delivered as of the date so delivered:

CHC:

1150 Cleveland Street
Clearwater, Florida 34615
Telecopy Number: 813-442-0732
Attention: President and Chief Executive Officer

Copy to Counsel: Carlton Fields
One Harbour Place
777 S. Harbour Island Boulevard
Tampa, Florida 33602-5799
Telecopy Number: 813-229-4133
Attention: Richard A. Denmon, Esq.

FNB: One FNB Boulevard
Hermitage, PA 16148
Telecopy Number: 724-983-3515
Attention: Chairman and Chief Executive Officer

Copy to Counsel: Smith, Gambrell & Russell, LLP
1230 Peachtree Road, NE
Suite 3100, Promenade II
Atlanta, Georgia 30309
Telecopy Number: 404-685-7058
Attention: Robert C. Schwartz, Esq.

Southwest: 2911 Tamiami Trail North
Naples, Florida 33940
Telecopy Number: 941-435-7658
Attention: Chairman and Chief Executive Officer

Copy to Counsel: Smith, Gambrell & Russell, LLP
1230 Peachtree Road, NE
Suite 3100, Promenade II
Atlanta, Georgia 30309
Telecopy Number: 404-685-7058
Attention: Robert C. Schwartz, Esq.

11.10 *Governing Law.* This Agreement shall be governed by and construed in accordance with the Laws of the Commonwealth of Pennsylvania, without regard to any applicable conflicts of Laws, except to the extent that the Laws of the State of Florida relate to the consummation of the Merger.

11.11 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

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

11.13 *Enforcement of Agreement.* The Parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

11.14 *Severability*. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

11.15 *Fiduciary Duty*. Notwithstanding anything to the contrary in this Agreement, no provision of this Agreement shall be construed to prevent the exercise by any director of CHC (or the actions of CHC thereon) of his or her fiduciary duty as contemplated to be exercised under Section 8.9 of this Agreement.

[Remainder of this Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf and its corporate seal to be hereunto affixed and attested by officers thereunto as of the day and year first above written.

F.N.B. CORPORATION

By: *Peter Mortensen*
Name: Peter Mortensen
Title: Chairman of the Board and Chief Executive Officer

SOUTHWEST BANKS, INC.

By: *Gary L. Tice*
Name: Gary L. Tice
Title: Chairman of the Board and Chief Executive Officer

CITIZENS HOLDING CORPORATION

By: _____
Name: _____
Title: President

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf and its corporate seal to be hereunto affixed and attested by officers thereunto as of the day and year first above written.

F.N.B. CORPORATION

By: _____
Name: Peter Mortensen
Title: Chairman of the Board and Chief Executive Officer

SOUTHWEST BANKS, INC.

By: _____
Name: Gary L. Tice
Title: Chairman of the Board and Chief Executive Officer

CITIZENS HOLDING CORPORATION

By: _____
Name: DAVID P. STONE
Title: President