

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	MERGER
EFFECTIVE DATE:	04/30/2004

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Millennium Bank		04/30/2004	Pennsylvania chartered bank and trust company: PENNSYLVANIA

RECEIVING PARTY DATA

Name:	Harleysville National Corporation
Street Address:	483 Main Street
City:	Harleysville
State/Country:	PENNSYLVANIA
Postal Code:	19438
Entity Type:	CORPORATION: PENNSYLVANIA

PROPERTY NUMBERS Total: 2

Property Type	Number	Word Mark
Registration Number:	2384881	MILLENNIUM BANK
Registration Number:	2500051	MILLENNIUM ACCOUNT

CORRESPONDENCE DATA

Fax Number: (717)763-7467
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
 Phone: 717 909-1655
 Email: swauger@shumakerwilliams.com
 Correspondent Name: Melissa A. Swauger
 Address Line 1: 3425 Simpson Ferry Road
 Address Line 4: Camp Hill, PENNSYLVANIA 17011

NAME OF SUBMITTER:	Melissa A. Swauger
Signature:	/Melissa A. Swauger/

OP \$65.00 2384881

Date:

06/15/2005

Total Attachments: 74

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Comptroller of the Currency
Administrator of National Banks

Northeastern District Office
1114 Avenue of the Americas, Suite 3900
New York, N.Y. 10036

Licensing Division
Telephone No.: 212.790.4055
Fax No.: 212.790.4098

April 29, 2004

By facsimile: 717.7632.7419
and regular mail.

John K. Black, Esq.
Banking Specialist
Shumaker Williams, P.C.
Legal and Business Counsel
3425 Simpson Ferry Road
Camp Hill, Pennsylvania 17011

Re: Application to merge Millennium Bank, Malvern, Pennsylvania, with and into The Harleysville National Bank and Trust Company, Harleysville, Pennsylvania, under the charter number and title of the latter.
Control No.: 2004 NE 02 017

Charter No.: 9541

Dear Mr. Black:

This letter is the official certification of the Office of the Comptroller of the Currency (OCC) to affect the above-referenced merger, effective as of April 30, 2004. The resulting bank title is The Harleysville National Bank and Trust Company, and the charter number is 9541.

This is also the official authorization given to the Harleysville National Bank and Trust Company, the receiving institution, to operate the main office of the merging bank and its branches, as branches of the resulting bank, as authorized in Attachment A. If any of the branches are closed, or sold to a non-national bank, a 90-day advance notice must be submitted pursuant to 12 U.S.C. 1831r-1. Following the expiration of the 90-day notice period, a copy of this authorization must be provided to the OCC. A post-merger list of authorized branches will be provided to you under separate cover.

This letter also serves as acknowledgment that effective April 30, 2004, The Harleysville National Bank and Trust Company will acquire and continue to operate "Cumberland Advisors, Inc." as its own subsidiary. Operation of this subsidiary qualifies for after-the-fact notice procedures at 12 C.F.R. §5.34(e)(5)(iv).

MAY 03 2004

TRADEMARK

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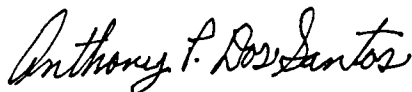
John K. Black, Esq.
Banking Specialist
Shumaker Williams, P.C.
Legal and Business Counsel
April 29, 2004

We understand that Cumberland Advisors, Inc. engages in those activities permitted under 12 C.F.R. §5.34(e)(5)(v)(I).

The Bank is reminded that operating subsidiaries approved pursuant to 12 C.F.R. §5.34(e)(5)(iv) are subject to and must be operated within the constraints of all national banking laws, rules, and regulations, and OCC published guidance.

If the combination does not occur as represented in your letter of April 16, 2004, this certification must be returned to the OCC.

Sincerely,



Anthony P. DosSantos
Licensing Manager

****OCC SEAL****

**BRANCHES AUTHORIZED AS A RESULT OF THE MERGER OF MILLENNIUM
BANK, MALVERN, PENNSYLVANIA, WITH AND INTO THE HARLEYSVILLE
NATIONAL BANK AND TRUST COMPANY, HARLEYSVILLE, PENNSYLVANIA**

**POPULAR NAME/
AUTHORIZATION NUMBER**

LOCATION

GREAT VALLEY CORPORATE CENTER
(Former main office location of Millennium
Bank)
Authorization No.: 127571A

Great Valley Corporate Center
30 Valley Stream Parkway
Malvern, Chester County,
Pennsylvania 19355

MALVERN OFFICE

Authorization No.: 127572A

83 LANCASTER AVENUE
Malvern, Chester County,
Pennsylvania 19355

WYOMISSING OFFICE

Authorization No.: 12773A

2800 State Hill Road
Wyomissing, Berks County,
Pennsylvania 19610

BLUE BELL OFFICE

Authorization No.: 127574A

653 Skippack Pike, Suite 111
Blue Bell, Montgomery County,
Pennsylvania 19422

**AGREEMENT
AND
PLAN OF MERGER**

**HARLEYSVILLE NATIONAL CORPORATION,
HARLEYSVILLE NATIONAL BANK
AND TRUST COMPANY
AND
MILLENNIUM BANK**

October 15, 2003

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EXHIBITS

- EXHIBIT 1 David E. Sparks Employment Agreement
- EXHIBIT 2 David R. Kotok Amendment
- EXHIBIT 3 Directors and Officers Voting Agreement
- EXHIBIT 4 Affiliates Agreement
- EXHIBIT 5 Opinion of Counsel to Millennium
- EXHIBIT 6 Opinion of Counsel to HNC

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (the "Agreement") dated as of October 15, 2003, by and among **Harleysville National Corporation**, a Pennsylvania business corporation and registered bank holding company having its principal office in Harleysville, Pennsylvania ("HNC"), **Harleysville National Bank and Trust Company** ("HNB"), a national banking association and wholly-owned subsidiary of HNC, and **Millennium Bank**, a Pennsylvania chartered bank and trust company, having its principal office in Malvern, Pennsylvania ("Millennium").

Background

1. The Boards of Directors of HNC and Millennium desire that Millennium merge with and into HNB, with HNB surviving the merger as a wholly-owned subsidiary of HNC, in accordance with the applicable laws of the United States, the Commonwealth of Pennsylvania, and this Agreement (the "Merger").
2. HNC and Millennium intend that the merger qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, (the "Code").
3. As a condition and inducement to each of HNC, HNB and Millennium to enter into this Agreement, HNC has entered into an employment agreement with David E. Sparks (the "Sparks Agreement"), regarding the terms of his employment following consummation of the transactions contemplated by this Agreement, which Sparks Agreement is attached as Exhibit 1 to this Agreement.
4. As a condition and inducement to each of HNC, HNB and Millennium to enter into this Agreement, HNC has entered into an amendment to the Employment Agreement, dated May 30, 2003, between Millennium Bank, Cumberland Advisors, Inc. ("Cumberland") and David R. Kotok (the "Kotok Amendment"), regarding the terms of his employment following consummation of the transactions contemplated by this Agreement, which Kotok Amendment is attached as Exhibit 2 to this Agreement.
5. As a condition and inducement to HNC to enter into this Agreement, the directors and certain officers of Millennium are concurrently executing a letter agreement, in the form attached to this Agreement as Exhibit 3.
6. Each of the parties desires to provide for certain undertakings, conditions representations, warranties and covenants in connection with the transactions contemplated by this Agreement and governing the transactions contemplated in this Agreement.

7. The parties intend that this Agreement shall constitute a plan of reorganization among HNC, HNB and Millennium and a merger between HNB and Millennium.

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

SECTION 1. THE MERGER.

A. Closing.

The closing of the transactions contemplated by this Agreement (the "Closing") will take place on a date at a time and place to be agreed upon by the parties (the "Closing Date"); provided, however, that unless mutually agreed by the parties, Closing shall occur within 15 days after all conditions to closing set forth in Section 11 of this Agreement (other than the delivery of certificates, opinions, and other instruments and documents to be delivered at the Closing) have been satisfied or waived at or prior to the Closing Date.

B. The Merger.

Subject to the terms and conditions of this Agreement and in accordance with the applicable laws and regulations of the United States and the Commonwealth of Pennsylvania:

1. Millennium shall merge with and into HNB, under the charter of HNB;
2. The separate existence of Millennium shall cease;
3. HNB shall be the surviving bank in the Merger (the "Surviving Bank") and a wholly-owned subsidiary of HNC; and
4. All of the property (real, personal, intangible and mixed), rights, powers, duties, obligations and liabilities of Millennium shall be taken and deemed to be transferred to and vested in HNB, as the Surviving Bank, without further act or deed.

(Collectively, the "Effective Date".)

C. HNB's Name and Business.

The name of the Surviving Bank shall be "Harleysville National Bank and Trust Company." The business of the Surviving Bank shall be that of a national banking association, and it shall be conducted by the Surviving Bank at its main office, which shall be located at Harleysville, Pennsylvania 19438, and its legally established branches.

D. HNB's Articles of Association and Bylaws.

1. The articles of association of the Surviving Bank, as in effect immediately prior to the Effective Date, shall be the articles of association of the Surviving Bank, until changed in accordance with applicable law, the articles of association, and the Surviving Bank's bylaws.
2. The bylaws of the Surviving Bank, as in effect immediately prior to the Effective Date, shall be the bylaws of the Surviving Bank, until changed in accordance with applicable law, the Surviving Bank's articles of association, and the bylaws.

E. HNC's Board of Directors and Officers.

1. On and after the Effective Date, the directors of HNC shall consist of all of the directors of HNC serving immediately prior to the Effective Date and Vincent P. Small, Jr., who shall serve as a Class A Director, each to hold office until his or her successor is elected and qualified or otherwise in accordance with applicable laws and the Articles of Incorporation and Bylaws of HNC. In addition, Roger S. Hillas shall be appointed to serve as a "Consulting Director" to the HNC Board of Directors. He shall serve in an advisory capacity to the Board for at least one year from the Effective Date.
2. The officers of HNC immediately prior to the Effective Date shall be the officers of HNC, together with David E. Sparks, who shall serve as Executive Vice President, and other officers as may be appointed from time to time, each to hold office until they resign or are removed in accordance with applicable law and the Articles of Incorporation and Bylaws of HNC until his or her successor is duly elected or appointed and qualified.

F. HNB's Board of Directors and Officers.

1. On and after the Effective Date, the directors of HNB duly elected and holding office immediately prior to the Effective Date shall be the directors of the Surviving Bank, each to hold office until his or her successor is elected and qualified or otherwise in accordance with

applicable law, the articles of association and bylaws of the Surviving Bank.

2. On and after the Effective Date, the officers of HNB duly elected and holding office immediately prior to the Effective Date shall be the officers of the Surviving Bank, together with David E. Sparks, who shall serve as President of HNB's Asset and Wealth Management Group, which shall be named Millennium Asset, Wealth and Private Banking Division, and such other officers as may be appointed from time to time, each to hold office until they resign or are removed in accordance with applicable law, the articles of association and bylaws of the Surviving Bank.

SECTION 2. CONVERSION ELECTION PROCEDURES.

A. Conversion of Millennium Common Stock.

1. At the Effective Date, subject to the other provisions of this Agreement, each share of common stock, par value \$1.00 per share, of Millennium, including all shares issuable upon conversion of the Convertible Notes, as defined, below (the "Millennium Common Stock"), issued and outstanding immediately prior to the Effective Date (other than shares of Millennium Common Stock held directly or indirectly by HNC or Millennium or any of their respective Subsidiaries (as defined below) (except for Trust Account Shares and DPC Shares, as defined below) and shares with respect to which the holder duly exercises the right to dissent, shall, by virtue of this Agreement and without any action on the part of the holder, be converted into and exchangeable for the right to receive, at the election of the holder as provided in and subject to the provisions of Paragraph B, below, either (x) \$16.00 in cash (the "Per Share Cash Consideration") or (y) .6256 validly issued, fully paid and nonassessable shares of HNC common stock, \$1.00 par value (the "HNC Common Stock") (the "Per Share Stock Consideration"). The Per Share Cash Consideration and the Per Share Stock Consideration, as adjusted pursuant to Paragraph B, below are, collectively, referred to herein as the Merger Consideration.

For purposes of this Agreement:

"Total Stock Amount" means the product obtained by multiplying (x) .6256 by (y) 60% of the total number of shares of Millennium Common Stock outstanding as of the close of business on the Effective Date.

"Total Cash Amount" means the product obtained by multiplying (x) \$16.00 by (y) 40% of the total number of shares of Millennium Common Stock outstanding as of the close of business on the Effective Date.

2. The Merger Consideration shall consist of no more than 40% cash, which shall be the "Total Cash Amount," as defined above, and a maximum of 1,235,573 shares of HNC Common Stock, which shall be the aggregate stock consideration for the Merger, subject to the provisions of Paragraph B, below, and to the antidilution provisions of Paragraph A(4), below, but in no event shall exceed the Total Stock Amount.
3. All of the shares of Millennium Common Stock converted into the Merger Consideration, pursuant to this Agreement, shall no longer be outstanding and shall automatically be cancelled and shall cease to exist, and each holder of a certificate (each a "Certificate") previously representing shares of Millennium Common Stock shall cease to have any rights with respect to those securities, except the right to receive (a) the Merger Consideration, (b) any dividends and other distributions, in accordance with Section 3 of this Agreement, and (c) any cash to be paid in lieu of any fractional share of HNC Common Stock, in accordance with this Agreement.
4. If, between the date of this Agreement and the Effective Date, the shares of HNC Common Stock shall be changed into a different number or class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or a stock dividend thereon shall be declared with a record date within the period, appropriate adjustments shall be made to the Per Share Cash Consideration and the Per Share Stock Consideration.
5. At the Effective Date, all shares of Millennium Common Stock that are owned directly or indirectly by HNC or Millennium or any of their respective Subsidiaries (other than shares of Millennium Common Stock (a) held directly or indirectly in trust accounts, managed accounts and the like or otherwise held in a fiduciary capacity for the benefit of third parties (these shares, and shares of HNC Common Stock that are similarly held, whether held directly or indirectly by HNC or Millennium, as the case may be, being referred to herein as "Trust Account Shares") and (b) held by HNC or the Millennium or any of their respective Subsidiaries in respect of a debt previously contracted (these shares of Millennium Common Stock, and shares of HNC Common Stock that are similarly held, whether held directly or indirectly by HNC or Millennium, are referred to in this Agreement as "DPC Shares")) shall be cancelled and shall cease to exist and no stock of HNC, cash or other consideration shall be delivered in exchange for them. All shares of HNC Common Stock that are owned by Millennium or any of its Subsidiaries (other than Trust Account Shares and DPC Shares) shall become authorized unissued stock of HNC.

6. The calculations required by this Section 2 shall be prepared jointly by HNC and Millennium prior to the Closing Date.
7. Dissenting Millennium Shareholders. If there are holders of Millennium Common Stock who dissent from the Merger and exercise and perfect the right to obtain valuation of and payment for their shares ("Dissenting Millennium Shares") pursuant to Section 1222 of the Pennsylvania Banking Code of 1965, as amended, the following provisions will govern payments to be made in respect of Dissenting Millennium Shares:
 - a. All payments in respect of Dissenting Millennium Shares, if any, will be made by HNC, as they shall agree.
 - b. Dissenting Millennium Shares, if any, will be deemed to have been retired and cancelled immediately prior to the Merger, with the effect that no conversion thereof will occur pursuant to this Section 2 unless and until the holder shall have failed to perfect or effectively shall have withdrawn or lost his right to appraisal and payment under such section. If any such holder of Millennium Common Stock shall have so failed to perfect or effectively shall have withdrawn or lost his right, each of his shares of Millennium Common Stock shall thereupon be deemed to have been converted into, on the Effective Date, the right to receive the Merger Consideration.

B. Election Procedures.

1. An election form and other appropriate and customary transmittal materials (which shall specify that delivery shall be effected, and risk of loss and title to the certificates that represented shares of Millennium Common Stock shall pass, only upon proper delivery of the certificates to the Exchange Agent) in the form that HNC and Millennium shall mutually agree (the "Election Form") shall be mailed 35 days prior to the anticipated Effective Date or on another date that Millennium and HNC choose (the "Mailing Date") to each holder of record of Millennium Common Stock, or options, as the case may be, as of the close of business on the 5th business day prior to the Mailing Date (the "Election Form Record Date").
2. Each Election Form shall permit the holder (or the beneficial owner through appropriate and customary documentation and instructions) to specify (a) the number of shares of the holder's Millennium Common Stock with respect to which the holder elects to receive the Per Share Stock Consideration ("Stock Election Shares"), (b) the number of shares of the holder's Millennium Common Stock with respect to which the holder elects to receive the Per Share Cash Consideration ("Cash Election

Shares"), or (c) that the holder makes no election with respect to the holder's Millennium Common Stock ("No Election Shares"). Any Millennium Common Stock with respect to which the Exchange Agent has not received an effective, properly completed Election Form on or before 5:00 p.m., on the 33rd day following the Mailing Date (or another time and date upon which HNC and Millennium mutually agree) (the "Election Deadline") shall also be deemed to be "No Election Shares."

3. HNC shall make available one or more Election Forms as may reasonably be requested from time to time by all persons who become holders (or beneficial owners) of Millennium Common Stock between the Election Form Record Date and the close of business on the business day prior to the Election Deadline, and Millennium shall provide to the Exchange Agent all information reasonably necessary for it to perform as specified in this Agreement.
4. An election shall have been properly made only if the Exchange Agent shall have actually received a properly completed Election Form by the Election Deadline. An Election Form shall be deemed properly completed only if accompanied by one or more certificates (or customary affidavits and indemnification regarding the loss or destruction of the certificates or the guaranteed delivery of the certificates) representing all shares of Millennium Common Stock covered by the Election Form, together with duly executed transmittal materials included in the Election Form. Any Election Form may be revoked or changed by the person submitting the Election Form at or prior to the Election Deadline. In the event an Election Form is revoked prior to the Election Deadline, the shares of Millennium Common Stock represented by the Election Form shall become No Election Shares and HNC shall cause the certificates representing Millennium Common Stock to be promptly returned without charge to the Person submitting the Election Form upon written request to that effect from the holder who submitted the Election Form. Subject to the terms of this Agreement and of the Election Form, the Exchange Agent shall have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the Election Forms, and any good faith decisions of HNC regarding these matters shall be binding and conclusive. Neither HNC nor the Exchange Agent shall be under any obligation to notify any person of any defect in an Election Form.
5. Within 10 business days after the Election Deadline, unless the Effective Date has not yet occurred, in which case, as soon thereafter as practicable, HNC shall cause the Exchange Agent to effect the allocation among the holders of Millennium Common Stock of rights to receive HNC Common Stock or cash in the Merger in accordance with the Election Forms as follows:

- a. Cash Election Shares More Than Total Cash Amount. If the aggregate cash amount that would be paid upon the conversion in the Merger of the Cash Election Shares is greater than the Total Cash Amount, then:
- (1) All Stock Election Shares and No Election Shares shall be converted into the right to receive the Per Share Stock Consideration,
 - (2) The Exchange Agent shall then select from among the Cash Election Shares, by a pro rata selection process, a sufficient number of shares ("Stock Designated Shares") so that the aggregate cash amount that will be paid in the Merger equals as closely as practicable the Total Cash Amount, and all Stock Designated Shares shall be converted into the right to receive the Per Share Stock Consideration, and
 - (3) The Cash Election Shares that are not Stock Designated Shares will be converted into the right to receive the Per Share Cash Consideration.
- b. Cash Election Shares Less Than Total Cash Amount. If the aggregate cash amount that would be paid upon conversion in the Merger of the Cash Election Shares is less than the Total Cash Amount, then:
- (1) All Cash Election Shares shall be converted into the right to receive the Per Share Cash Consideration,
 - (2) The Exchange Agent shall then select first from among the No Election Shares and then (if necessary) from among the Stock Election Shares, by a pro rata selection process, a sufficient number of shares ("Cash Designated Shares") so that the aggregate cash amount that will be paid in the Merger equals as closely as practicable the Total Cash Amount, and all Cash Designated Shares shall be converted into the right to receive the Per Share Cash Consideration, and
 - (3) The Stock Election Shares and the No Election shares that are not Cash Designated Shares shall be converted into the right to receive the Per Share Stock Consideration.

c. Cash Election Shares Equal to Total Cash Amount. If the aggregate cash amount that would be paid upon conversion in the Merger of the Cash Election Shares is equal or nearly equal (as determined by the Exchange Agent) to the Total Cash Amount, then subparagraphs (a) and (b) above shall not apply and all Cash Election Shares shall be converted into the right to receive the Per Share Cash Consideration and all Stock Election Shares and No Election Shares shall be converted into the right to receive the Per Share Stock Consideration.

6. The pro rata selection process to be used by the Exchange Agent shall consist of equitable proration processes, as mutually determined by HNC and Millennium.

C. Stock Options.

On and after the Effective Date, each option (each, a "Millennium Option") to purchase shares of Millennium Common Stock issued by Millennium and outstanding on the Effective Date shall, by virtue of this Agreement and at the election of the holder, be converted into and be exchangeable for the right to receive cash or options to acquire HNC Common Stock, or a combination of cash and options to acquire HNC Common Stock with any necessary proration determined by HNC and Millennium, and, notwithstanding anything to the contrary, in no event shall more than 60% of the outstanding Millennium Options be converted into options to acquire HNC Common Stock.) as set forth below:

1. The holder of each Millennium Option shall have a right to receive \$16.00 minus the Millennium Option exercise price ("Value of Millennium Option"); or
2. HNC shall assume each Millennium Option, in accordance with the terms of the Millennium Stock Option Plan and stock option or other agreement by which it is evidenced, except that from and after the Effective Date, (a) HNC and its Board of Directors shall be substituted for Millennium and the committee of Millennium's Board of Directors (including, if applicable, the entire Board of Directors of Millennium) administering the Millennium Stock Option Plan, (b) each Millennium Option assumed by HNC may be exercised solely for shares of HNC Common Stock, (c) the number of shares of HNC Common Stock subject to the Millennium Option shall be equal to the number of shares of Millennium Common Stock subject to the Millennium Option immediately prior to the Effective Date multiplied by .6256, as the case may be, provided that any fractional shares of HNC Common Stock resulting from the multiplication shall be rounded down to the nearest share, and (d) the per share exercise price under each such Millennium Option shall be adjusted by dividing the Per Share Exercise Price under each Millennium Option by .6256, as the case

may be, provided that the exercise price shall be rounded up to the nearest cent.

3. Each Millennium Option that is an "incentive stock option" shall be adjusted, as required by Section 424 of the Internal Revenue Code (the "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 Code. HNC and Millennium agree to take all necessary steps to effect the foregoing provisions of this Section 2.C.
4. Schedule 2(C) sets forth a list of each Millennium Option, as of the date of this Agreement, including the optionee, date of grant, shares of Millennium Common Stock subject to the option, exercise price, expiration date, classification as an incentive stock option or a non-qualified stock option, vesting schedule and any special features of each option.

D. HNC Common Stock.

Except for shares of HNC Common Stock owned by Millennium or any of its Subsidiaries (other than Trust Account Shares and DPC Shares), which shall be converted into authorized unissued stock of HNC as contemplated by this Agreement, the shares of HNC Common Stock issued and outstanding immediately prior to the Effective Date shall be unaffected by the Merger and the shares shall remain issued and outstanding.

E. Exchange Of Shares.

HNC to Make Shares and Cash Available. At or prior to the Effective Date, HNC shall deposit, or shall cause to be deposited, with a bank or trust company (which may be a Subsidiary of HNC) (the "Exchange Agent"), selected by HNC, for the benefit of the holders of Certificates, for exchange in accordance with this Section 2, (a) certificates representing the shares of HNC Common Stock to be issued in exchange for outstanding shares of Millennium Common Stock, (b) the cash necessary to pay the Per Share Cash Consideration, and (c) the cash in lieu of fractional shares. The cash and certificates for shares of HNC Common Stock, together with any dividends or distributions with respect to them are referred to as the "Exchange Fund" in this Agreement.

F. Exchange Procedures.

1. As soon as practicable after the Effective Date, and in no event more than 5 business days thereafter, the Exchange Agent shall mail to each holder of record of a Certificate or Certificates, who has not submitted his or her holder's Certificate or Certificates with an Election Form, a form letter of transmittal (which shall specify that delivery shall be effected, and risk of

loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. After completion of the allocation procedure set forth in Paragraph B, above, and upon surrender of a Certificate or Certificates for exchange and cancellation to the Exchange Agent, together with a properly executed letter of transmittal or Election Form, as the case may be, the holder of the Certificate or Certificates shall be entitled to receive in exchange therefore (a) a certificate representing that number of whole shares of HNC Common Stock that the holder of Millennium Common Stock became entitled to receive, pursuant to the provisions of Section 2 of this Agreement, and/or (b) a check representing the aggregate Per Share Cash Consideration and/or the amount of cash in lieu of fractional shares, if any, that the holder has the right to receive in respect of the Certificate or Certificates surrendered. The Certificate or Certificates so surrendered shall be cancelled. No interest will be paid or accrued on the Per Share Cash Consideration, the cash in lieu of fractional shares or the unpaid dividends and distributions, if any, payable to holders of Certificates.

2. No dividends or other distributions declared after the Effective Date with respect to HNC Common Stock and payable to holders of record shall be paid to the holder of any unsurrendered Certificate until the holder surrenders the Certificate, in accordance with the terms of this Agreement. After the surrender of a Certificate, the record holder shall be entitled to receive any dividends or other distributions, without interest, that were payable with respect to the shares of HNC Common Stock represented by the Certificate.
3. If any certificate representing shares of HNC Common Stock is to be issued in a name other than that in which the Certificate surrendered in exchange is registered, it shall be a condition of the issuance that the Certificate so surrendered shall be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the person requesting the exchange shall pay to the Exchange Agent, in advance, any transfer or other taxes required by reason of the issuance of a certificate representing shares of HNC Common Stock in any name other than that of the registered holder of the Certificate surrendered or required for any other reason, or shall establish to the satisfaction of the Exchange Agent that the tax has been paid or is not payable.
4. After the Effective Date, there shall be no transfers on the stock transfer books of Millennium of the shares of Millennium Common Stock, which were issued and outstanding immediately prior to the Effective Date. If, after the Effective Date, Certificates representing the shares are presented for transfer to the Exchange Agent, they shall be cancelled and exchanged

for certificates representing shares of HNC Common Stock or cash or both, as provided in this Agreement.

5. Notwithstanding anything to the contrary contained in this Agreement, no certificates or scrip representing fractional shares of HNC Common Stock shall be issued upon the surrender for exchange of Certificates, no dividend or distribution with respect to HNC Common Stock shall be payable on or with respect to any fractional share, and the fractional share interests shall not entitle the owner to vote or to any other rights of a shareholder of HNC. In lieu of the issuance of any fractional share, HNC shall pay to each former shareholder of Millennium, who otherwise would be entitled to receive a fractional share of HNC Common Stock, an amount in cash determined by multiplying (a) HNC Market Value, as defined below, by (b) the fraction of a share of HNC Common Stock that the holder would otherwise be entitled to receive.
6. Any portion of the Exchange Fund that remains unclaimed by the shareholders of Millennium for twelve months after the Effective Date shall be paid to HNC. Any shareholders of Millennium, who have not complied with the terms of this Agreement, shall, thereafter, look only to HNC for payment of the Merger Consideration, the cash in lieu of fractional shares and/or the unpaid dividends and distributions on HNC Common Stock deliverable in respect of each share of Millennium Common Stock that the shareholder holds, as determined pursuant to this Agreement, in each case, without any interest. Notwithstanding the foregoing, none of HNC, Millennium, the Exchange Agent or any other person shall be liable to any former holder of shares of Millennium Common Stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.
7. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming that the Certificate is lost, stolen or destroyed and, if required by HNC, the posting by the person of a bond, in an amount that HNC reasonably directs, as indemnity against any claim that may be made against it with respect to the Certificate, the Exchange Agent will issue, in exchange for the lost, stolen or destroyed Certificate, the Merger Consideration deliverable pursuant to the terms of this Agreement.
8. Other Matters.

Nothing set forth in this Agreement or any exhibit or schedule to this Agreement shall be construed to:

- a. Preclude HNC or any HNC affiliate from acquiring or assuming, or to limit in any way the right of HNC or any HNC affiliate to

acquire or assume, prior to or following the Effective Date, the stock, or assets or liabilities of any other financial services institution or other corporation or entity, whether by issuance or exchange of HNC Common Stock, or otherwise;

- b. Preclude HNC from issuing, or to limit in any way the right of HNC to issue, prior to or following the Effective Date, HNC Common Stock or other securities;
- c. Preclude HNC from granting employee, director or compensatory options at any time with respect to HNC Common Stock or other securities;
- d. Preclude option holders of HNC from exercising options at any time with respect to HNC Common Stock or other securities; or
- e. Preclude HNC or any HNC affiliate from taking, or to limit in any way the right of either of them to take, any other action not expressly and specifically prohibited by the terms of this Agreement.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF HNC.

HNC represents and warrants to Millennium as follows:

A. Authority.

The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly and validly authorized by the Board of Directors of HNC, and no other corporate action on the part of HNC is necessary to authorize the approval of this Agreement or the consummation of the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by HNC and, assuming due authorization, execution and delivery by Millennium's Board of Directors and approval of this Agreement by Millennium's shareholders, receipt of required regulatory approvals, constitutes a valid and binding obligation of HNC, enforceable against HNC in accordance with its terms, except to the extent enforcement is limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other similar laws affecting creditor's rights or principles of equity. Assuming regulatory approval, the execution, delivery and consummation of this Agreement will not constitute a violation or breach of or default under the Articles of Incorporation or the Bylaws of HNC or any statute, rule, regulation, order, decree, directive, agreement, indenture or other instrument to which HNC is a party or by which HNC or any of its properties are bound.

B. Organization and Standing.

HNC is a business corporation that is duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. HNC is a registered bank holding company under the Bank Holding Company Act of 1956, as amended, and has full power and lawful authority to own and hold its properties and to carry on its present business. HNC owns, directly or indirectly all of the issued and outstanding shares of capital stock of HNB. HNB is a national banking association having its corporate headquarters in Harleysville, Pennsylvania, and is duly authorized to engage in the banking business as an insured bank under the Federal Deposit Insurance Act, as amended.

C. Capitalization.

The authorized capital stock of HNC consists of 75,000,000 shares of common stock, par value \$1.00 per share ("HNC Common Stock") and 8,000,000 shares of Preferred Stock, par value \$1.00 per share. As of September 30, 2003, 23,832,936 shares of HNC Common Stock and no shares of HNC Preferred Stock are issued and outstanding. All outstanding shares of HNC Common Stock have been duly issued and are validly outstanding, fully paid and nonassessable.

D. Articles of Incorporation and Bylaws.

The copies of the Articles of Incorporation, as amended, and of the Bylaws, as amended, of HNC, which have been delivered to Millennium, are true, correct, and complete in all respects.

E. Financial Statements.

HNC has delivered to Millennium the following financial statements: (1) Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Shareholders' Equity, and Consolidated Statements of Cash Flows and accompanying notes as of and for the years ended December 31, 2002, and December 31, 2001, certified by Grant Thornton, LLP, and set forth in the Annual Report to the shareholders of HNC for the year ended December 31, 2002; (these financial statements are referred to as the "HNC Financial Statements"). Each of the HNC Financial Statements fairly presents the consolidated financial position, assets, liabilities and results of operations of HNC at their respective dates and for the respective periods then ended and has been prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied, except as otherwise noted in a footnote.

F. Absence of Undisclosed Liabilities.

Except as disclosed in Schedule 3(F) or as reflected, noted or adequately reserved against in the HNC Balance Sheet, at December 31, 2002, HNC had no material liabilities (whether accrued, absolute, contingent or otherwise) that are required to be

reflected, noted or reserved against under GAAP or that are, in any case or in the aggregate, material. Except as described in Schedule 3(F), since December 31, 2002, HNC has not incurred any liability other than liabilities of the same nature as those set forth in the HNC Balance Sheet, all of which have been reasonably incurred in the ordinary course of business.

G. Absence of Changes.

Since December 31, 2002, there has not been any material and adverse change in the condition (financial or otherwise), assets, liabilities, business or operations of HNC or HNB, except for general economic conditions affecting the banking industry generally.

H. Litigation.

Except as disclosed in Schedule 3(H) or set forth in HNC's Annual Report on Form 10-K for the year ended December 31, 2002: (1) there is no litigation, investigation or proceeding pending, or to the Knowledge of HNC threatened, that involves HNC or its properties and that, if determined adversely to HNC, would have a Material Adverse Effect; (2) there are no outstanding orders, writs, injunctions, decrees, consent agreements, memoranda of understanding or other directives of any federal, state or local court or governmental authority or of any arbitration tribunal against HNC that would have a Material Adverse Effect; and (3) HNC is not aware of any fact or condition presently existing that might give rise to any litigation, investigation or proceeding that, if determined adversely to HNC, would have a Material Adverse Effect. For purposes of this paragraph only, HNC shall be deemed to include HNB and HNC subsidiaries.

I. Compliance with Laws; Governmental Authorizations.

Except as disclosed in Schedule 3(I) or where noncompliance would not have a Material Adverse Effect: (1) HNC is in compliance with all statutes, laws, ordinances, rules, regulations, judgments, orders, decrees, directives, consent agreements, memoranda of understanding, permits, concessions, grants, franchises, licenses, and other governmental authorizations or approvals applicable to HNC or to any of its properties; and (2) all permits, concessions, grants, franchises, licenses and other governmental authorizations and approvals necessary for the conduct of the business of HNC as presently conducted have been duly obtained and are in full force and effect and there are no proceedings pending, or to the Knowledge of HNC threatened, that may result in the revocation, cancellation, suspension or materially adverse modification of them.

J. Complete and Accurate Disclosure.

Neither this Agreement (insofar as it relates to HNC, HNC Common Stock and HNC's involvement in the transactions contemplated in this Agreement) nor any financial statement, schedule, certificate, or other statement or document delivered by HNC to Millennium in connection with this Agreement contains any statement that, at the time and in light of the circumstances under which it is made, is false or misleading with

respect to any material fact or omits to state any material fact necessary to make the statements not materially false or misleading.

K. Reporting Requirements of the Securities Exchange Act of 1934.

HNC Common Stock is registered under Section 12 of the Securities Exchange Act of 1934 ("1934 Act") and is subject to the periodic reporting requirements imposed by Section 13 or 15(d) of the 1934 Act.

L. Accuracy of Representations.

Until Closing, HNC will promptly notify Millennium if any of the representations contained in this Agreement cease to be true and correct.

M. Reports.

HNC has made available to Millennium complete copies of (1) the Annual Report on Form 10-K for the fiscal year ended December 31, 2002, (2) the proxy statement relating to HNC's 2003 Annual Meeting of Shareholders, (3) all Current Reports on Form 8-K, filed by HNC during 2003, and (4) all Call Reports filed by HNC with the FDIC and the Office of the Comptroller of the Currency during 2003.

N. Loans.

All loans reflected as assets in the HNC financials are evidenced by notes, agreements or other evidences of indebtedness which are true, genuine and correct, and to the extent secured, are secured by valid liens and security interests which have been perfected, excluding loans as to which the failure to satisfy the foregoing standards would not have a Material Adverse Effect.

O. HNC Common Stock.

The shares of HNC Common Stock to be issued and delivered to Millennium shareholders in accordance with this Agreement, and the shares of HNC Common Stock issuable for Millennium Options, when so issued and delivered, will be validly authorized and issued and fully paid and non-assessable, and no shareholder of HNC shall have any pre-emptive right with respect to them.

P. Fundamental Corporate Change.

HNC has not entered into any negotiations, agreements, arrangements or understandings, or in any transaction pursuant to which the shares of HNC Common Stock or shares of a successor to HNC would no longer be registered under Section 12 of the 1934 Act.

Q. Brokers.

HNC only assumes responsibility for payment of any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon contracts or agreements made by or on behalf of HNC.

R. National Market System.

HNC Common Stock is listed for trading on the NASDAQ/NMS.

S. SEC Reports and Financial Statements.

Since December 31, 2002, HNC has filed on a timely basis with the SEC and NASDAQ, where appropriate, and has made or will make available to Millennium true and complete copies of all forms, reports, schedules, statements, registrations and other documents required to be filed by it under the Exchange Act or the Securities Act, and HNC will file on a timely basis all such forms, reports, schedules, statements, registrations and other documents required to be filed by it from the date of this Agreement to the Closing Date (as such documents have been or will be amended or supplemented since the time of their filing, collectively, the "HNC SEC Documents"). The HNC SEC Documents, including without limitation any financial statements or schedules included in them, at the time filed, did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated in the document or necessary in order to make the statements, in light of the circumstances under which they were made, not misleading, complied and will comply in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, and the applicable rules and regulations of the SEC under those Acts, and, complied and will comply in all material respects with the applicable requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The financial statements of HNC included in the HNC SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes to the HNC SEC Documents or, in the case of the unaudited statements, as permitted by SEC Form 10-Q) and fairly present (subject in the case of the unaudited statements, to normal, recurring audit adjustments) the consolidated financial position of HNC as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended. HNC shall deliver to Millennium copies of all HNC SEC Documents filed after the date of this Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF HNB.

HNC, on behalf of HNB, represents and warrants to Millennium, as of the Closing Date, as follows:

A. Authority.

The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly and validly authorized by the Board of Directors of HNB, and no other corporate action on the part of HNB is necessary to authorize the approval of this Agreement or the consummation of the transactions contemplated by this Agreement, other than approval of HNC as sole shareholder of HNB. This Agreement has been duly executed and delivered by HNB and, assuming due authorization, execution and delivery by Millennium's Board of Directors and approval of this Agreement by Millennium's shareholders, receipt of required regulatory approvals, constitutes a valid and binding obligation of HNB, enforceable against HNB in accordance with its terms, except to the extent enforcement is limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other similar laws affecting creditor's rights or principles of equity. Assuming regulatory approval, the execution, delivery and consummation of this Agreement will not constitute a violation or breach of or default under the Articles of Association or the Bylaws of HNB or any statute, rule, regulation, order, decree, directive, agreement, indenture or other instrument to which HNB is a party or by which HNB or any of its properties are bound.

B. Capital Structure of HNB.

HNB is authorized to issue 75,000,000 shares of capital stock, par value \$1.00 per share, of which 2,050,000 shares are outstanding and held by HNC.

C. Organization and Standing.

HNB is a national banking association, and duly organized, validly existing and in good standing under the laws of United States. HNB has full power and lawful authority to own and hold its properties and to carry on its present business. HNB is duly licensed, registered or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing, registration or qualification necessary, except where the failure to be so licensed, registered or qualified will not have a Material Adverse Effect, and all such licenses, registrations and qualifications are in full force and effect in all material respects.

D. Insurance.

The deposits of HNB are insured by the Bank Insurance Fund of the Federal Deposit Insurance Corporation (the "FDIC") to the extent provided in the Federal Deposit Insurance Act.

E. CRA Compliance.

HNB has received a satisfactory compliance rating and has received a satisfactory Community Reinvestment Act rating. HNB has no Knowledge of any facts or circumstances that would prevent it from receiving satisfactory ratings upon its next appropriate examination.

F. Loan Loss Reserve.

The loan loss reserve of HNB is and shall remain adequate in light of generally accepted accounting principles, directives of governmental authorities, and all regulations, rules and directives of the FDIC and the Office of the Comptroller of the Currency (the "OCC").

SECTION 5. REPRESENTATIONS AND WARRANTIES OF MILLENNIUM.

Millennium represents and warrants to HNC as follows:

A. Organization and Standing.

Millennium is a Pennsylvania state chartered bank and trust company that is duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and is in good standing as a foreign corporation in each jurisdiction where the real property owned, leased or operated, or the business conducted, by Millennium requires qualification, except for a failure to qualify or be in good standing which, when taken together with all other failures, would not have a Material Adverse Effect.

B. Articles and Bylaws.

The copies of the Articles of Incorporation and the Bylaws of Millennium delivered to HNC are complete and accurate copies, as in effect on this date. The minute books of Millennium that have been made available for inspection by HNC contain in all material respects a complete and accurate record of all meetings of Millennium.

C. Authority.

The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly and validly authorized by the Board of Directors of Millennium, and no other corporate action on the part of Millennium is necessary to authorize the approval of this Agreement. Millennium (1) has corporate power to own its properties and to conduct its business as currently conducted, (2) has substantially complied with, and is not in default in any respect under, any laws, regulations, ordinances, orders or decrees applicable to the conduct of its business and the ownership of its properties, including regulatory minimum capital requirements, the non-compliance with which or the default under which in the aggregate would have a Material

Adverse Effect, (3) has not failed to file with the proper federal, state, local or other authorities any report or other document required to be so filed, and (4) has all approvals, authorizations, consents, licenses, clearances and orders of, and has currently effective all registrations with all governmental and regulatory authorities, which are necessary to the business or operations of Millennium, except where the failure to obtain would have a Material Adverse Effect.

D. Capitalization.

The authorized capital stock of Millennium consists of 5,000,000 shares of Millennium Common Stock, par value \$1.00 per share and 5,000,000 shares of Preferred Stock, par value \$100 per share, of which 2,291,743 shares of Common Stock were validly authorized, issued and outstanding, fully paid and nonassessable and have not been issued in violation of preemptive or similar rights of any shareholder of Millennium or other person arising by operation of securities laws, or any other applicable law or agreement or Millennium's Articles of Incorporation or Bylaws, and no shares of Preferred Stock are outstanding, as of this date. Other than options set forth on Schedule 2(C), (for an aggregate of 842,075 shares) and restricted shares totaling 14,950 shares as of this date there are outstanding no subscriptions, options, warrants, calls or rights or other agreements or commitments of any kind obligating Millennium to issue or dispose of any securities of Millennium or securities of Millennium convertible into any shares of Millennium Common Stock except, however, for \$1.34 million of 4.95% Mandatory Convertible Subordinated Notes, due June 27, 2013, issued on June 27, 2003 (the "Convertible Notes"), which are convertible into 157,882 shares of Millennium Common Stock. From January 1, 2003 to this date, no dividends or other distributions (including, without limitation, any stock dividend or distribution) have been declared, set aside or paid to the holders of Millennium Common Stock.

E. Equity Interests.

Millennium does not own, directly or indirectly, any equity interest in any bank, corporation, general partnership, limited partnership or other entity, except in a fiduciary capacity, except Cumberland Investment Advisors, Inc. ("Cumberland") and a 4.9% interest in Capital Security Management of West Chester.

F. Financial Statements.

1. Millennium has delivered to HNC copies of the following financial statements, each of which (including any related notes and schedules) presents fairly the financial condition and results of operations of Millennium, at the dates and for the periods covered by the statements, in accordance with GAAP, consistently applied throughout the periods covered by the statements, except as otherwise noted in a footnote:
 - a. Balance Sheet (the "Millennium 2002 Balance Sheet"), Statement of Income, Statement of Stockholders' Equity and Statement of

Cash Flows, together with notes thereto, at December 31, 2002, and for the twelve months then ended, certified by Beard Miller Company, LLP.

- b. Balance Sheets, Statements of Income, Statements of Stockholders' Equity and Statements of Cash Flows, together with notes thereto, at December 31, 2001, and December 31, 2000, and for the years then ended, certified by Beard Miller Company, LLP.
 - c. Millennium has delivered to HNC, Millennium's quarterly financial information for the quarter ended June 30, 2003, containing the unaudited balance sheet of Millennium, as of that date, and the unaudited statements of income and cash flows of Millennium for the three-month period reflected therein.
 - d. Any annual audit report or summary report regarding the accounts that Millennium holds in a fiduciary capacity, as required by 7 P.S. §1407, for the years ended December 31, 2002 and December 31, 2001.
2. Millennium has provided HNC with copies of all financial statements, proxy statements, reports and other documents issued to its shareholders after December 31, 2001, and will provide HNC with copies of the statements, reports, and documents issued after the date of this Agreement, on or prior to the Effective Date, and all reports and other documents filed by it with any federal or state authority during the period. Millennium shall make available for inspection by officials or representatives of HNC all financial statements prepared by Millennium and examined by Beard Miller Company, LLP or any other auditor.
 3. Except as disclosed in Schedule 5(F) or, as reflected, noted, or adequately reserved against, in the Millennium 2002 Balance Sheet, Millennium had no material liability (whether accrued, absolute, contingent or otherwise) that is required to be reflected, noted or reserved against therein under GAAP or which is, in any case or in the aggregate, material. Except as described in Schedule 5(F), since December 31, 2002, Millennium has not incurred any liability other than liabilities of the same nature as those set forth in the Millennium 2002 Balance Sheet, all of which have been reasonably incurred in the ordinary course of business.

G. Complete and Accurate Disclosure.

The documents referred to in this Agreement, or to be contained in any financial statement, proxy statement, report, document or other written materials provided to HNC, as of the date of the document or other materials, did not contain, or as to documents or other materials to be delivered after the date of this Agreement will not contain, any

untrue statement of material fact, or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which the statements were or will be made, not misleading; provided, however, that information as of a later date shall be deemed to modify information as of any earlier date.

H. Taxes.

1. Millennium has timely filed all federal, state, county, and local Tax Returns in respect of Taxes due through the date of this Agreement (taking into account any extensions granted with respect to the due date). Each Tax Return is complete and accurate in all respects. Millennium has paid all taxes owed or owing except for amounts that have been reserved against or which are the subject of a good faith dispute. No waivers of statutes of limitations, and no agreement relating to assessment or collection, are in effect in respect of any Taxes. There are no claims pending against Millennium for the alleged deficiency in the payment of any Taxes, and Millennium does not know of any pending or threatened audits, investigations or claims for unpaid Taxes or relating to any liability in respect of Taxes.
2. As of the date of this Agreement, Millennium has made available to HNC true and correct copies of all income, franchise, capital and other Tax Returns, filed by Millennium for all taxable years or periods for which the relevant statute of limitations has not expired. Millennium is not a party to any tax allocation or sharing agreement. Millennium has not been a member of an affiliated group filing consolidated or combined Tax Returns or otherwise has any tax liability for the Taxes of any Person (other than Millennium) except, however, with respect to Cumberland, who was a member of another consolidated group and who shall file as a member of the Millennium consolidated group. No closing agreements, private letter rulings, technical advice memoranda or similar agreements or rulings have been entered into or issued by any taxing authority with respect to Millennium.
3. To the extent required by GAAP, the provision for current taxes payable reflected in "Other Liabilities" in the Millennium 2002 Balance Sheet, as of the date of this Agreement and as of the Effective Date, is and will be adequate to cover (a) all accrued and unpaid taxes of Millennium, whether or not disputed, for the period ended December 31, 2002, and for all prior periods, and (b) all Taxes that may become due and payable by Millennium in future periods (i) in respect of transactions, sales or services occurring or performed on or prior to December 31, 2002, which by virtue of tax or accounting treatment will not be included in income until subsequent to the date, or (ii) in respect of deductions, costs or other allowances taken for federal income tax purposes which Millennium auditors have reason to believe are likely to be disallowed by the Internal

Revenue Service if audited by the Service. The provision for applicable taxes stated on the consolidated books of Millennium as of the date hereof and as of the Effective Date, is and will be adequate to cover (1) all accrued and unpaid federal, state, county and local taxes of Millennium, whether or not disputed, for the period ended on the date hereof or on the Effective Date, as the case may be, and for all prior periods, and (2) all federal, state, county and local Taxes that may become due and payable by Millennium in future periods (a) in respect of the transactions, sales or services occurring or performed on or prior to the date hereof or the Effective Date, as the case may be, which by virtue of tax or accounting treatment will not be included in income until subsequent to the dates, or (b) in respect of deductions, costs or other allowances taken for federal income tax purposes which Millennium auditors have reason to believe are likely to be disallowed by the Internal Revenue Service if audited by the Service.

4. No consent has been filed relating to Millennium pursuant to Section 341(f) of the Internal Revenue Code of 1986, as amended (the "Code").
5. Schedule 5(H) identifies, to the best Knowledge of Millennium, all employees of Millennium who are parties to employment agreements or change-in-control agreements and all directors of Millennium to whom HNC, Millennium or HNB may be obligated to make any payment that will be a "parachute payment" to a "disqualified individual," as those terms are defined in Section 280G of the Code (without regard to whether the payment is reasonable compensation for personal services performed or to be performed in the future), as a result of the transactions contemplated in this Agreement. Schedule 5(H) further sets forth, to the best Knowledge of Millennium, the approximate amount of the "parachute payment" and the related excise tax that may be due and payable with respect to each individual identified on the Schedule, it being understood that calculation of the exact amount of the "parachute payment" and related excise tax is a complex calculation and one that is not susceptible to final determination until Closing.
6. As used in this Agreement, (1) the term "Tax" (including, with correlative meaning, the term "Taxes," and "Taxable") shall mean all federal, state, county, and local income, gross receipts, windfall profits, severance, property, production, sales, use, license, excise, customs, duties, franchise, bank shares, employment, withholding and other taxes, together with all interest, penalties and additions imposed with respect to the amounts, and (2) the term "Tax Return" shall mean all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

I. Absence of Undisclosed Liabilities.

Except as provided on Schedule 5(I), since December 31, 2002, Millennium has not incurred any liability, except in the ordinary course of its business consistent with past practice, nor has there been any change in the financial condition, properties, assets, business, results of operations or prospects of it which, individually or in the aggregate, has had, or might reasonably be expected to result in, a Material Adverse Effect.

J. Properties.

1. Millennium owns no real property and, except as provided on Schedule 5(J), Millennium has the right of possession subject to existing leaseholds, to all real properties and good title to all other property and assets, tangible and intangible, reflected in the Millennium December 31, 2002 Balance Sheet or purported to have been acquired by it since that date (except property held as lessee under leases and disclosed in writing prior to the date of this Agreement and except real or personal property sold or otherwise disposed of in the ordinary course of business), except liens for taxes or assessments not delinquent, and other liens and encumbrances and imperfections of title that do not materially affect the value of the property or as reflected in the Millennium December 31, 2002 Balance Sheet and that do not interfere with or impair its present and continued use. All real property owned, leased or operated by Millennium (the "Millennium Real Property") that is material to the business, operations or financial condition of Millennium are in substantially good operating condition and repair (ordinary wear and tear excepted). None of the material structures on the Millennium Real Property encroaches upon real property of another Person, and no structure of any Person encroaches upon the Millennium Real Property. The Millennium Real Property and its continued use, occupancy and operation as currently used, occupied and operated does not in any material respect constitute a nonconforming use under any applicable law, statute, ordinance, code, order, regulation or standard.
2. All properties held by Millennium under leases are held by it under valid, binding and enforceable leases (subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity), with exceptions that are not material and do not interfere with the conduct of its business, as the case may be, and it enjoys quiet and peaceful possession of the leased properties. Millennium, and to its Knowledge any third party, is not in default, in any material respect, under any material lease, agreement or obligation regarding Millennium's properties or to which Millennium is a party or by which it is bound.

K. Investment Securities.

None of the investments reflected in the Millennium December 31, 2002 Balance Sheet under the heading "Securities Available for Sale" and "Securities Held to Maturity" and none of the investments made since December 31, 2002, is subject to any restriction, whether contractual or statutory, that materially impairs the ability of Millennium freely to dispose of the investment at any time, and all of the investments comply with applicable law, rule and regulation.

L. Employee Benefits.

1. Schedule 5(L) contains a complete list of each pension, retirement, stock purchase, stock bonus, savings, or profit sharing plan, any deferred compensation, consultant, bonus, life insurance, death or survivor benefit health insurance, sickness, disability, medical, surgical, hospital, severance, layoff, or vacation plan or group insurance contract, or any other incentive, welfare, or employee benefit plan or arrangement (including, without limitation, any employee pension benefit plan as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") ("Pension Plan") and any employee welfare benefit plan as defined in Section 3(1) of ERISA ("Welfare Plan")) sponsored or maintained by Millennium or any ERISA Affiliate (as defined herein) and covering any active or former employees (or their beneficiaries) of Millennium, (a) to which Millennium or any ERISA Affiliate is a party or by which Millennium or an ERISA Affiliate (or any of the rights, properties or assets thereof) is bound, or (b) with respect to which Millennium or any ERISA Affiliate may otherwise have any liability (whether or not Millennium or the ERISA Affiliate still maintains the Millennium Benefit Plan) (collectively, the "Millennium Benefit Plans"). "ERISA Affiliate" means any trade or business, whether or not incorporated, that together with Millennium would be deemed a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code. With respect to the Millennium Benefit Plans required to be listed in Schedule 5(L), Millennium has provided to HNC an accurate and complete copy of the most recent plan documents, the most recent annual report (Form 5500 series) filed with the United States Department of Labor and the Internal Revenue Service, the most recent financial and actuarial reports, the most recently issued Internal Revenue Service rulings or determination letters, and all notices to the Pension Benefit Guaranty Corporation of "Reportable Events," as defined in ERISA. All accrued contributions and other payments to be made under each Pension Plan have been set aside.
2. Except as disclosed in Schedule 5(L), with respect to the Millennium Benefit Plans:

- a. Neither Millennium nor any ERISA Affiliate has any continuing liability, including any post-retirement medical, dental, life insurance or other benefits, under any Welfare Plan which provides for continuing benefits or coverage for any participant or any dependent or beneficiary of a participant after the participant's termination of employment, except as may be required by Section 4980B of the Code or Section 601 (et seq.) of ERISA ("COBRA"), or under any applicable state law.
- b. Each Millennium Benefit Plan complies in all material respects with the applicable requirements of ERISA, the Code, the Securities Act, the 1934 Act and any other applicable laws governing the Millennium Benefit Plan, and each Millennium Benefit Plan has at all times been administered in all material respects in accordance with all requirements of the law and all regulations issued thereunder, and in accordance with its terms and the terms of any applicable collective bargaining agreement to the extent consistent with all requirements of law. Each Pension Plan which is intended to be qualified under Section 401(a) of the Code is so qualified, and each trust established by each Pension Plan is exempt from federal income tax under Section 501(a) of the Code. Each Pension Plan is, and from its establishment has been, the subject of a favorable determination letter from the IRS stating that the Pension Plan meets the requirements of Section 401(a) of the Code and that the trust associated with the Pension Plan is tax-exempt under Section 501(a) of the Code. No event has occurred since the date of each Pension Plan's last determination letter that would jeopardize the qualified status of the plan or the tax-exempt status of any trust under Sections 401(a) and 501(a) of the Code, respectively. No lawsuits, claims (other than routine claims for benefits) or complaints to, or by, any Person, governmental entity, regulatory body or arbiter have been filed, are pending or are threatened with respect to any Millennium Benefit Plan and there is no fact or contemplated event that would give rise to any lawsuit, claim (other than routine claims for benefits) or complaint with respect to any Millennium Benefit Plan. Without limiting the foregoing, the following are true with respect to each Millennium Benefit Plan:
- (1) With respect to each Millennium Benefit Plan, there has not occurred, and no Person is contractually bound to enter into, any "prohibited transaction" within the meaning of Section 4975(c) of the Code or Section 406 of ERISA, which transaction is not exempt under Section 4975(d) of the Code or Section 408 of ERISA.

- (2) No Millennium Benefit Plan is a Defined Benefit Plan as defined in Section 3(35) of ERISA and no ERISA Affiliate has ever maintained or been obligated to contribute to any Defined Benefit Plan.
- (3) No Millennium Benefit Plan is a Multiemployer Plan as defined in Section 3(37) of ERISA.
- (4) No Millennium Benefit Plan is an Employee Stock Ownership Plan as defined in Section 4975(e)(7) of the Code.
- (5) No Millennium Benefit Plan is a Qualified Foreign Plan as the term is defined in Section 404A of the Code and no Millennium Benefit Plan is subject to the laws or regulations of any other jurisdiction other than the United States of America or one of its political subdivisions.
- (6) No Welfare Plan is a Voluntary Employees' Beneficiary Association as defined in Section 501(c)(9) of the Code.
- (7) All Welfare Plans and their related trusts comply in all material respects with and have been administered in compliance with (a) Section 4980B of the Code and Sections 601 through 609 of ERISA and all Department of Treasury and Department of Labor regulations issued thereunder, respectively, and (b) the Health Insurance Portability and Accountability Act of 1996 and all Department of Labor regulations issued thereunder.
- (8) With respect to each Millennium Benefit Plan maintained by Millennium or any ERISA Affiliate, each Millennium Benefit Plan provides the plan sponsor the authority to amend or terminate the Millennium Benefit Plan at any time, subject to the applicable requirements of ERISA and the Code and the provisions of the Millennium Benefit Plan.

M. Management Contracts.

Except as specifically disclosed and identified in Schedule 5(M) Millennium has no contracts or other agreements with any member of management, any affiliate (as that term is defined in Rule 12b-2 promulgated under the 1934 Act) or any management or consultation agreement not terminable at will by it without liability, and no contract or agreement has been requested by or is under discussion by management with any group

of employees, any member of management, affiliate (as defined in Rule 12b-2 of the 1934 Act) or any other Person.

N. Actions, Suits, and Proceedings.

1. There are no actions, suits, investigations or proceedings instituted, pending or, to the Knowledge of Millennium, threatened against Millennium before any court, any arbitrator of any kind or any government agency (including any bank regulatory authority), and
2. To the best of its Knowledge, Millennium is not subject to any potential adverse claim, the outcome of which could individually, or in the aggregate, have a Material Adverse Effect on Millennium. Millennium has no Knowledge of any pending or threatened claims or charges against it before the Equal Employment Opportunity Commission, the Office of Federal Contract Compliance, any Human Relations Commission or any other federal, state or local government agency.

O. Binding Agreement.

1. This Agreement has been duly executed and delivered by Millennium and (assuming due execution and delivery by HNC) constitutes, and, upon its execution and delivery shall constitute, a valid, binding and enforceable obligation of Millennium, subject to (a) bankruptcy, insolvency, moratorium, reorganization, conservatorship, receivership or other similar laws from time to time in effect relating to or affecting the enforcement of creditors' rights generally or the rights of creditors of Pennsylvania state chartered bank and trust companies, (b) laws relating to the safety and soundness of bank and trust companies, and (c) general principles of equity, and except that the availability of equitable remedies or injunctive relief is within the discretion of the appropriate court.
2. As of the date hereof, this Agreement has been approved by a majority of the Board of Directors.
3. The execution, delivery and performance by Millennium of this Agreement and the consummation of the transactions herein contemplated have been duly authorized and do not violate any provision of the Articles of Incorporation or Bylaws of Millennium, any provisions of federal or state law or any governmental rule or regulation (assuming the organization of HNB and its adoption of this Agreement, the appropriate filing of documents with the Board of Governors of the Federal Reserve System and the OCC, the receipt of the government approvals, the receipt of the requisite Millennium shareholder approval, and the accuracy of the representations of HNC), and do not require any consent of any person under, conflict with, or give rise to any right of termination, cancellation,

modification, or result in a breach of or accelerate the performance required by any of the terms of, any debt instrument, lease, license, covenant, agreement or understanding to which Millennium is a party or by which it is bound or any order, ruling, decree, judgment, arbitration award or stipulation to which it is subject, or constitute a default thereunder or result in the creation or imposition of any lien, claim, security interest, encumbrance, charge, restriction or right of any third party of any kind whatsoever upon any of its properties or assets, except where the conflict or breach, or when the failure to obtain the consent would not result in a Material Adverse Effect.

P. Financial Advisor.

Except for Sandler O'Neill & Partners, L.P. ("Sandler O'Neill"), no broker, agent, finder, consultant or other party (other than legal and accounting advisors) has been retained by Millennium or is entitled to be paid based upon any agreements, arrangements or understandings made by Millennium in connection with any of the transactions contemplated by this Agreement.

Q. Insurance.

Millennium is insured by reputable insurers against all risks normally insured against by financial institutions, and all of the insurance policies or bonds maintained by it are in full force and effect and for reasonable amounts against risks that companies engaged in a similar business would, in accordance with good business practice, customarily be insured, and have maintained all insurance required by applicable laws and regulations. Millennium is not in default and all material claims have been filed in due and timely fashion.

R. Compliance with Laws; Governmental Authorizations.

1. Millennium and all subsidiaries of Millennium, are currently, and to Millennium's Knowledge always has been, operating in compliance with all applicable laws, statutes, ordinances, codes, common law, rules, regulations, or orders ("Legal Requirements") relating to pollution or to protection of human health, safety or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), and record keeping notification and reporting requirements with respect to Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, investigation, remediation, storage, disposal, transport or handling of Hazardous Substances. To Millennium's Knowledge, Millennium is currently, and always has been, operating in compliance with Legal Requirements relating to any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, depositing, disposal, discharge, dispersal, leaching, or migration on or into the environment ("Releases") or

threatened Releases of any pollutant, toxic substance, contaminant, hazardous waste, hazardous substance, or extremely hazardous material which is now regulated or governed under any Legal Requirements, including, without limitation, petroleum, or any refined product or fraction thereof, asbestos, or polychlorinated biphenyls ("Hazardous Substances") applicable to any real property Millennium or its subsidiaries formerly owned, leased or operated (collectively, the "Former Real Property") or any Millennium Real Property currently owned, leased or operated by Millennium;

2. Millennium has not received any notice from any governmental authority or other person of any violation or alleged violation of any Environmental Law applicable to any Former Real Property or Millennium Real Property owned, leased or operated by Millennium;
3. There is no order, writ, injunction or decree of any court or any governmental department, commission, board, agency or instrumentality, domestic or foreign, outstanding, or any claim, action, suit, proceeding, charge, complaint, inquiry, audit or investigation pending or, to Millennium's Knowledge, threatened relating to compliance with, or liability under, any Environmental Law affecting real property owned, leased or operated by Millennium or, to Millennium's Knowledge, any Former Real Property; and
4. Millennium currently possesses all permits and licenses required by any Environmental Law necessary for the operation of Millennium's business, other than permits and licenses the absence of which would not, individually or in the aggregate, have a Material Adverse Effect.

S. Complete and Accurate Disclosure.

The information pertaining to Millennium, which has been or will be furnished to HNC by or on behalf of Millennium for inclusion in the HNC Registration Statement, or in the applications to be filed to obtain the government approvals (the "Applications"), will contain no untrue statement of any material fact required to be stated in the Application or necessary to make the statements in the Application, in the light of the circumstances under which they are made, not misleading; provided, however, that information as of a later date shall be deemed to modify the information as of an earlier date. All financial statements of Millennium, included in the Prospectus or the Proxy Statement, will present fairly the consolidated financial condition and results of operations of Millennium at the dates and for the periods covered by the statements, in accordance with generally accepted accounting principles consistently applied throughout the periods covered by the statements. Millennium shall promptly advise HNC, in writing, if prior to the Effective Date it shall obtain Knowledge of any facts that would make it necessary to amend the HNC Registration Statement, the Prospectus/Proxy

Statement or any Application, or to supplement the Prospectus/Proxy Statement, in order to make the statements therein not misleading or to comply with applicable law.

T. Representations and Warranties.

No representation or warranty by Millennium and no statement by Millennium in any certificate, agreement, exhibit or other document furnished in connection with the transactions contemplated by this Agreement, shall contain any untrue statement of a material fact or omit to state any material fact necessary to make the representation, warranty or statement not misleading; provided, however, that information as of a later date shall be deemed to modify information as of an earlier date.

U. Relationships.

1. Except as set forth in Schedule 5(U), as of the date of this Agreement, Millennium is not a party to, or bound by, any oral or written:
 - a. "material contract" as the term is defined in Item 601(b)(10) of Regulation S-K promulgated by the Securities and Exchange Commission ("SEC");
 - b. Any agreement, not terminable on ninety (90) days or less notice, involving the payment by Millennium of more than \$10,000 per annum;
 - c. Agreement with any officer or other key employee, the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction of the nature contemplated by this Agreement;
 - d. Agreement with respect to any officer providing any term of employment or compensation guarantee extending for a period longer than one year or for a payment in excess of \$50,000;
 - e. Agreement or plan, including any stock option plan, stock appreciation rights plan, employee stock ownership plan, restricted stock plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement;
 - f. Agreement containing covenants that limit its ability to compete in any line of business or with any Person, or that involve any restriction on the geographic area in which, or method by which, it

may carry on its business (other than as may be required by law or any regulatory agency);

- g. Agreement, contract or understanding, other than this Agreement, the Convertible Notes and outstanding Millennium Stock Options, regarding the capital stock of Millennium or committing to dispose of some or all of the capital stock or substantially all of the assets of Millennium; or
- h. Collective bargaining agreement, contract, or other agreement or understanding with a labor union or labor organization.

- 2. Millennium is not in default under or in violation of any provision of any note, bond, indenture, mortgage, deed of trust, loan agreement, lease or other agreement to which it is a party or to which any of its properties or assets is subject, other than defaults or violations that could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

V. Loans.

All loans reflected as assets in the Millennium Financials are evidenced by notes, agreements or other evidences of indebtedness which are true, genuine and correct, and to the extent secured, are secured by valid liens and security interests which have been perfected, excluding loans as to which the failure to satisfy the foregoing standards would not have a Material Adverse Effect.

W. Allowance for Loan Losses.

The allowance for loan losses shown, and to be shown, on the balance sheets contained in the Millennium Financials have been, and will be, established in accordance with GAAP and all applicable regulatory criteria.

X. Fairness Opinion.

Millennium has received an oral opinion from Sandler O'Neill to the effect that, as of the date hereof, the consideration to be received by shareholders of Millennium pursuant to this Agreement is fair, from a financial point of view, which opinion shall subsequently be reduced to writing.

Y. Trust Department and Fiduciary Relationships.

Millennium has established, maintained and administered all fiduciary and custodian relationships, accounts and agreements, and undertaken and performed all fiduciary and custodian duties, obligations and responsibilities in compliance in all

material respects with all applicable laws statutes, rules, regulation and the governing instruments such fiduciary and custodian relationships.

Z. Deposit Insurance.

The deposits of Millennium are insured by the Bank Insurance Fund, as administered by the FDIC in accordance with the Federal Deposit Insurance Act, and Millennium has timely paid all assessments and timely filed all reports required to be paid or filed by the Federal Deposit Insurance Act.

AA. Compliance with Privacy Laws Policies.

Millennium is in compliance with (1) the terms of its own privacy policy as it exists on the date of this Agreement, a true and correct copy of which has been made available to HNC (the "Privacy Policy") and (2) any Applicable Laws concerning the protection of confidential personal information received from customers and consumers, including without limitation, the Gramm-Leach-Bliley Act of 1999, except in each case for any non-compliance that, individually or in the aggregate, has not had, or would not reasonably be expected to have, a Material Adverse Effect.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF CUMBERLAND.

Millennium, on behalf of Cumberland, represents and warrants to HNC, as follows:

A. Compliance.

1. Each of Cumberland's officers who are registered as registered representatives of broker dealers with the National Association of Securities Dealers, if any, are in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the related rules and regulations promulgated under such act or the Exchange Act and Cumberland is in compliance in all materials respects with the applicable rules and regulations of the USA PATRIOT Act. Except as set forth on Schedule 6(A)(1), neither Cumberland nor any of its Affiliates has made, arranged or modified (in any material way) personal loans to any executive officer or director of Cumberland.
2. Cumberland has adopted a formal code of ethics (to the extent required under applicable law) and a written policy regarding insider trading. Such code and policy comply, in all material respects, to the extent applicable thereto, with Section 17(j) of the Investment Company Act, Rule 17j-1 thereunder and Section 204A of the Investment Advisers Act, respectively. The policies of Cumberland with respect to avoiding conflicts of interest are as set forth in its most recent Form ADV (or

incorporated by reference therein). As of the date hereof and to the Knowledge of Cumberland, there have been no material violations or allegations of material violations of these policies that have occurred or been made.

3. Neither Cumberland nor, to Cumberland's Knowledge, any person "associated" (as defined under the Investment Advisers Act) with Cumberland has for a period not less than 5 years prior to the date of this Agreement been convicted of any crime or is or has been subject to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Investment Advisers Act or Rule 206(4)-4(b) thereunder or of a broker-dealer under Section 15 of the Exchange Act, or for disqualification as an investment adviser for any Registered Investment Company pursuant to Section 9(a) of the Investment Company Act, and to Cumberland's Knowledge there is no basis for, or proceeding or investigation that is reasonably likely to become the basis for, any such disqualification, denial, suspension or revocation.
4. Each of Cumberland's officers and employees, who are required to be registered as an investment adviser, a broker-dealer, a registered representative, or a sales person with the SEC, any securities commission, the NASD or any state or any SRO is duly registered as such and the registration is in full force and effect.
5. Neither Cumberland, and to Cumberland's Knowledge, no officer, director or employee, is a party or subject to any order, judgment or decree (other than exemptive orders) relating to its business with or by any federal, state, local or foreign Regulatory Agencies.
6. As of the date of this Agreement, there has existed no "out of balance" condition, pricing error or similar condition with respect to any customer account maintained by Cumberland.
7. Schedule 6(A)(7) sets forth a complete list, as of October 1, 2003, of Cumberland and its officers, directors, and employees that are registered or licensed as (a) a broker-dealer under the Exchange Act or under any similar state or foreign laws, (b) a futures commission merchant, commodities trading adviser, commodity pool operator or introducing broker under the Commodities and Futures Trading Act or under any similar state or foreign laws, (c) an investment adviser under the Investment Advisers Act or under any similar state or foreign laws, (d) a bank or trust company, or (e) an insurance company, in each case together with a listing of all such registrations and licenses held with all applicable Regulatory Agencies.

B. SEC and Regulatory Reports; Financial Statements.

1. Cumberland filed all regulatory reports, schedules, forms, registrations and other documents, that are material to Cumberland, together with any amendments required to be made with respect to them, that were required to be filed, since December 31, 2000, with (1) the SEC, and (2) all other applicable federal, state or foreign governmental or regulatory agency or authority (collectively with the SEC and any self regulatory organizations (“SROs”), “Regulatory Agencies”), and have paid all fees and assessments due and payable in connection with them. Except for normal examinations conducted by a Regulatory Agency in the regular course of the business of Cumberland, no Regulatory Agency has initiated any material proceeding or, to the Knowledge of Cumberland, material investigation or inquiry into the business or operations of Cumberland, any of its officers or directors, or Affiliates, since December 31, 2000. There is no unresolved violation, criticism, or exception by any Regulatory Agency with respect to any report or statement relating to any examinations of Cumberland that is material to Cumberland. Cumberland is not required to file periodic reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.
2. The annual financial statements for the fiscal year ended December 31, 2002, and the quarter ended March 31, 2003, of Cumberland, fairly present, in all material respects, the financial position of Cumberland as of the dates thereof and the results of operations and cash flows for the periods then ended and have been, or will be, prepared in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto) (subject to normal year-end adjustments in the case of interim financial statements).

C. Contracts.

1. Schedule 6(C) sets forth a list of each material contract to which Cumberland or any of Cumberland’s Affiliates is a party or by which it is bound that contains covenants limiting the freedom of Cumberland or any of Cumberland’s Affiliates to engage in any line of business in any geographic area or to compete with any Person or restricting the ability of Cumberland or any of Cumberland’s Affiliates to acquire equity securities of any Person.
2. Cumberland has previously made available to HNC true and complete copies of each Cumberland and Cumberland Affiliate contract that is material to the current business of Cumberland and its Affiliates taken as a whole, including true and complete descriptions of any oral contracts, in all cases as amended and currently in effect.

D. Investment Contracts and Clients.

1. Cumberland provides investment management, investment advisory and sub-advisory services (including management and advice provided to separate accounts and participation in wrap fee programs). Schedule 6(D) sets forth as of September 30, 2003, the entities to which Cumberland provides investment advisory services. As of September 30, 2003, the aggregate amount of assets for which Cumberland (a) provided investment advisory services pursuant to Advisory Contracts and, (b) provided investment advisory services pursuant to Sub-Advisory Contracts is also set forth on Schedule 6(D).
2. Each Investment Contract and any subsequent renewal thereof has at all times since December 31, 2000 been (and currently is) duly authorized, executed and delivered by Cumberland, and at all times has been a valid and legally binding agreement of Cumberland, enforceable in accordance with its terms (subject to bankruptcy, insolvency, moratorium, fraudulent transfer and similar laws affecting creditors' rights generally and to general equity principles). Cumberland has been at all times since December 31, 2000 (and currently is) in compliance with the terms of each Investment Contract to which it is a party (including without limitation the applicable investment guidelines and restrictions thereunder, where applicable), and no event has occurred or condition exists that constitutes or with notice or the passage of time would constitute a default thereunder.
3. None of the Investment Contracts, or any other arrangements or understandings relating to rendering of investment advisory services, contains any undertaking by Cumberland to cap fees or to reimburse any or all fees thereunder resulting in an effective fee rate lower than that stated in such Investment Contract (or other applicable arrangement). As used herein, (a) the term "Client" means any Person to which Cumberland provides investment advisory services on the date hereof and (b) the term "Investment Contract" means each contract or agreement in effect on the date hereof to which Cumberland is a party pursuant to which Cumberland provides to any Client investment advisory services.
4. The accounts of each Client that is subject to ERISA have been managed and otherwise serviced by Cumberland so that Cumberland, in the exercise of such management, is in compliance with the applicable requirements of ERISA and the Code, and consummation of the transactions contemplated hereby will not result in a violation of such ERISA requirements.
5. To the Knowledge of Cumberland, since December 31, 2000 (a) the names and addresses of Clients set forth in the books and records of Cumberland have been (and are) accurate and complete (and correctly

reflect the factual information relating to the underlying Client in interest); (b) all account statements and similar materials of Cumberland have been (and are) correct and complete, have been (and are) mailed to the name and address on record with Cumberland for each Client account, and have been (and are) in fact received by the underlying Client in interest (and no other account statements or similar materials purporting to set forth account holdings and/or fee information have been (or are) mailed or otherwise sent or delivered to any Client by Cumberland or its employees or agents); and (c) all post office box or "care of" designations to which any account statements or similar materials are mailed have been (and are) requested by the applicable underlying Client in interest.

E. Books and Records.

The books, records and accounts of Cumberland are maintained, in all material respects, in accordance with the requirements of Rule 204-2 of the Investment Adviser Rules, including the maintenance of a system of internal controls that provides reasonable assurance that;

1. Transactions are executed with management's authorization;
2. Transactions are recorded as necessary to permit preparation of the financial statements of Cumberland and its subsidiaries and to maintain accountability for Cumberland's and its subsidiaries' assets;
3. Access to Cumberland's and its subsidiaries' assets is permitted only in accordance with management's authorization;
4. The reporting of Cumberland's and its subsidiaries' assets is compared with existing assets at reasonable intervals; and
5. Accounts, notes and other receivables and inventory are recorded accurately, and proper and adequate procedures are implemented to effect the collection thereof on a current and timely basis.

F. Compliance with Privacy Laws Policies.

Cumberland is in compliance with (1) the terms of its own privacy policy as it exists on the date of this Agreement, a true and correct copy of which has been made available to HNC (the "Privacy Policy") and (2) any Applicable Laws concerning the protection of confidential personal information received from customers and consumers, including without limitation, the Gramm-Leach-Bliley Act of 1999 except in each case for any non-compliance that, individually or in the aggregate, has not had, or would not reasonably be expected to have, a Material Adverse Effect.

SECTION 20. CUMBERLAND.

HNC intends to maintain the separate corporate existence of Cumberland.

SECTION 21. INDEMNIFICATION AND INSURANCE.

On and after the Effective Date and for a period ending 6 years thereafter, HNC shall indemnify, defend and hold harmless all former and then-existing directors, officers, employees and agents of Millennium against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement (with the approval of HNC, which approval shall not be unreasonably withheld) or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that the person is or was a director, officer, employee or agent of Millennium, whether pertaining to any matter existing or occurring at or prior to the Effective Date and whether asserted or claimed prior to, or at or after, the Effective Date to the same extent as the officer, director, employee or agent would be entitled to indemnification by Millennium as of the date of this Agreement, including the right to advancement of expenses, provided, however, that any officer, director, employee or agent of Millennium may be indemnified by HNC only to the extent permitted by applicable law and to the extent permitted by HNC's Articles of Incorporation and Bylaws. In addition, HNC shall use commercially reasonable efforts to obtain and maintain a directors' and officers' liability insurance tail coverage policy with respect to the directors and officers of Millennium, relating to periods prior to the Effective Date and for a period ending 2 years thereafter, at a cost not to exceed 150% of the rate in effect for Millennium as of the date of this Agreement.

SECTION 22. ENTIRE AGREEMENT.

This Agreement, and all exhibits and schedules attached hereto, embody the entire agreement among the parties hereto with respect to the matters agreed to herein. All prior negotiations, discussions and agreements by and among the parties hereto with respect to matters agreed to in this Agreement, or the exhibits or schedules hereto, are hereby superseded and shall have no force or effect.

SECTION 23. PUBLICITY.

The content and timing of all publicity and announcements concerning this Agreement, and all transactions contemplated by this Agreement, shall be subject to joint consultation and approval of HNC and Millennium, subject, however, to the legal obligations applicable to public companies.

SECTION 24. AMENDMENT AND WAIVER.

Neither this Agreement, nor any term, covenant, condition or other provision hereof, may be amended, modified, supplemented, waived, discharged or terminated except by a document, in writing, signed by responsible officers and duly authorized by the boards of directors of the parties.

SECTION 25. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal domestic law of the Commonwealth of Pennsylvania, except to the extent that federal law is controlling.

SECTION 26. COMMUNICATIONS.

All notices, claims, requests, demands, consents and other communications that are required or permitted to be given by this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by recognized overnight delivery service, sent by certified or registered mail, postage prepaid, return receipt requested, or by confirmed telecopy as follows:

A. If to HNC or HNB, to:

HARLEYSVILLE NATIONAL CORPORATION
483 Main Street
Harleysville, PA 19438

Attn: Walter E. Daller, Jr., President and Chief Executive Officer

or to another person or place, as designated to Millennium, in writing, and with a copy to:

SHUMAKER WILLIAMS, P.C.
3425 Simpson Ferry Road
Camp Hill, PA 17011

Attn: Nicholas Bybel, Jr., Esquire

B. If to Millennium, to:

MILLENNIUM BANK
Great Valley Corporate Center
30 Valley Stream Parkway
Malvern, PA 17201

Attn: David E. Sparks, Chairman and Chief Executive Officer

or to another person or place, as designated to HNC, in writing, and with a copy to:

STEVENS & LEE, P.C.
Suite 200
620 Freedom Business Center
King of Prussia, PA 19464

Attn: Jeffrey P. Waldron, Esquire

Any notice or other communication so addressed shall be deemed to have been received by the addressee (1) if hand-delivered or sent by overnight delivery, on the next business day following the date so delivered or sent, (2) if sent by registered or certified mail, 5 business days following the date sent, or (c) if sent by telecopy, upon verbal telephone confirmation of receipt, by an individual authorized to accept telecopy communications at the above-specified telecopy number as of the date of receipt or confirmation.

SECTION 27. SUCCESSORS AND ASSIGNS.

The rights and obligations of the parties to this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of each of them; provided, however, that neither this Agreement nor any of the rights, interest or obligations under this Agreement shall be assigned by any party without the prior written consent of each of the other parties.

SECTION 28. HEADINGS, ETC.

The headings of the Sections and Subsections of this Agreement have been inserted for convenience only and shall not be deemed to be a part of this Agreement.

SECTION 29. CERTAIN DEFINITIONS; INTERPRETATION.

As used in this Agreement, the following terms shall have the meanings indicated:

“Change of Control” with respect to HNC means a merger, consolidation or similar transaction involving, or any purchase, sale or other disposition of all or any significant portion of the assets or liabilities or any equity securities of HNC when a majority of the members of the Board of Directors of the legal entity resulting from or existing after the transaction, or the Board of Directors of the entity’s parent corporation, if any, are not former members of the Board of Directors of HNC.

“Knowledge” as used in this Agreement, of any person shall mean and include actual knowledge and that Knowledge, which a reasonable prudent business person could have obtained in the management of his or her business affairs after making due inquiry and exercising the due diligence that a prudent business person should have made or exercised.

“Material Adverse Effect,” shall mean, with respect to HNC, Millennium or Cumberland, respectively, an event, change, effect, occurrence, or state of facts which, individually or together with any other event, change, effect, occurrence or state of facts, has or is reasonably likely to have an effect that is material and adverse to its assets, properties, business, future prospects, financial condition or results of operations on a consolidated basis, provided, however, that Material Adverse Effect shall not be deemed to include,

1. Any change in the value of the respective investment and loan portfolios of HNC or Millennium resulting from a change in interest rates generally,
2. Any change occurring after the date of this Agreement in any federal or state law, rule or regulation or in GAAP, which change affects banking institutions generally, including any changes affecting the Bank Insurance Fund,
3. Changes in general economic (except in the context of determining a Material Adverse Effect for purposes of asset quality), legal, regulatory or political conditions affecting banking institutions generally,
4. Changes resulting from the announcement of the transactions contemplated by this Agreement,
5. Reasonable expenses, including expenses incurred by the parties related to the Merger, but excluding any costs related to third-party litigation associated with this transaction, and,
6. Actions or omissions of a party (or any of its subsidiaries) taken pursuant to the terms of this Agreement with the prior written consent of the other party in contemplation of the transactions contemplated hereby.

“Person” includes an individual, corporation, partnership, association, trust or unincorporated organization.

“Subsidiary,” with respect to a Person, means any other Person controlled by the Person.

SECTION 30. SEVERABILITY.

In the event that any one or more provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, by any court of competent jurisdiction, the invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and the parties shall use their best efforts to substitute a valid, legal and enforceable provision which, insofar as practicable, implements the purposes and intents of this Agreement.

SECTION 31. NO THIRD PARTY BENEFICIARY.

Except as expressly provided, nothing in this Agreement is intended to confer upon any person, who is not a party to the Agreement, any rights or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 32. COUNTERPARTS.

To facilitate execution, this Agreement may be executed in as many counterparts as may be required. It is not necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart. It is sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It is not necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

SECTION 33. FURTHER ASSURANCES.

Each party will execute and deliver the instruments and take the other actions as another party to this Agreement may reasonably request in order to carry out the intent and purposes of this Agreement.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have caused this Agreement to be duly executed by their duly authorized officers, as of the date set forth above.

ATTEST:

By: James M. Byron
Secretary

HARLEYSVILLE NATIONAL CORPORATION

By: Walter E. Daller, Jr.
President and Chief Executive Officer

ATTEST:

By: James M. Byron
Secretary

HARLEYSVILLE NATIONAL BANK
AND TRUST COMPANY

By: Demetra M. Takes
President and Chief Executive Officer

ATTEST:

By: _____
Secretary

MILLENNIUM BANK

By: _____
David E. Sparks
Chairman and Chief Executive Officer

prohibit Millennium from making any disclosure which its counsel deems reasonably necessary.

J. Good Faith Cooperative Effort to Revise Structure.

Millennium hereby agrees to cooperate with HNC to approve any revision to this Agreement, or to the attached schedules and exhibits, involving a structural change to the Merger and the transactions contemplated thereunder; provided, however, that Millennium shall not be obligated to approve any revision to this Agreement that would result in a reduction of the Merger Consideration or would cause the transaction contemplated hereby to fail to qualify as a reorganization under § 368(a) of the Code.

SECTION 9. COVENANTS OF CUMBERLAND.

Millennium, on behalf of Cumberland, covenants and agrees that, during the period from the date hereof to the earlier of the termination of this Agreement in accordance with its terms and the Effective Date (except as otherwise specifically contemplated by the terms of this Agreement), unless HNC shall otherwise consent in writing:

A. Business.

The businesses of Cumberland shall be conducted, in all material respects, in the ordinary course of business and in a manner consistent with past practice and, in all material respects, in compliance with applicable laws, including, without limitation, the Investment Advisors Act, and the USA PATRIOT Act, and the timely filing of all reports, forms or other documents with the SEC required pursuant to the Investment Advisors Act.

B. Best Efforts.

Cumberland shall use its reasonable best efforts consistent with the foregoing to preserve substantially intact the business organization of Cumberland, to keep available the services of the present officers and key employees of Cumberland and to preserve, in all material respects, the present relationships of Cumberland with Clients and other persons with which Cumberland has significant business relations. Without limiting the generality of the foregoing, Cumberland shall not (except as otherwise specifically contemplated by the terms of this Agreement), between the date of this Agreement and the earlier of the termination of this Agreement in accordance with its terms and the Effective Date, directly or indirectly do, any of the following without the prior written consent of HNC:

1. Make or commit to make any capital expenditures, other than (a) expenditures for routine or emergency maintenance and repair and (b) expenditures that do not exceed \$25,000 individually or \$100,000 in the

aggregate for all expenditures made pursuant to this clause (b), provided that HNC's prior written consent to any other capital expenditures requested to be made by Cumberland shall not be unreasonably withheld or delayed if the expenditures were included in Cumberland's 2003 capital expenditure budget provided by Cumberland to HNC prior to the date of this Agreement;

2. Incur any indebtedness for borrowed money or guarantee the indebtedness of another Person (other than Cumberland) or enter into any "keep well" or other agreement to maintain the financial condition of another Person (other than Cumberland) or make or modify any loans (including any extension of credit to any officer or director of Cumberland or any affiliate in violation of the Sarbanes-Oxley Act) or advances of borrowed money or capital contributions to, or equity investments in, any other Person (other than Cumberland or an Investment Company for which Cumberland provides investment advisory services or acts as general partner or managing partner, to the extent required pursuant to contractual arrangements existing on the date hereof) or issue or sell any debt securities, other than (a) borrowings under existing agreements in the ordinary course of business consistent with past practice not to exceed \$250,000 in the aggregate outstanding at any time, (b) intercompany indebtedness between Millennium and any of its subsidiaries, or (c) as otherwise expressly permitted pursuant to this Agreement;
3. Millennium shall not permit Cumberland voluntarily to forfeit, abandon, amend, modify, waive, terminate or otherwise change any of its registrations, licenses, qualifications with any governmental entity or its memberships in any self-regulatory organizations, securities exchanges, boards of trade, commodities exchanges, clearing organizations or trade organizations, except (a) as may be required in order to comply with applicable law or (b) forfeitures, abandonments, amendments, terminations, changes, modifications or waivers as would not, individually or in the aggregate, restrict the business or operations of Cumberland in any material respect;

C. Approval of New Fund Contracts.

HNC and Millennium recognize that the transaction contemplated by this Agreement shall constitute an assignment and termination of the Client Contracts under the terms thereof and the Investment Advisors Act of 1940. HNC and Millennium agree to use all their reasonable best efforts to cooperate in obtaining the authorizations and approvals of the board of directors or Trustees of the U.S. Registered Funds (including any separate approvals of disinterested directors or trustees) and the shareholders thereof as may be reasonably required by the Investment Company Act for new contracts (the "Fund Approvals").

D. Consents and Notices.

Millennium shall cause Cumberland, with respect to each Investment Contract for which the consent of a Client to the assignment or deemed assignment of the Investment Contract as a result of the Merger is required by applicable law and/or by the terms of the Investment Contract (other than Clients that are Investment Companies), within 10 days following the date of this Agreement, to send a written notice (a "Notice") informing the Clients of the Merger and requesting written consent to the assignment or deemed assignment of the Client's Investment Contract. In the case of any Client (other than an Investment Company) that is a trust (or similar estate planning vehicle), a Notice requesting written consent also shall be sent to each of the beneficiaries of the trust, and/or approval shall be sought from any applicable court or other governmental authority having jurisdiction over the selection of fiduciaries for the trust (or other estate planning vehicle), in each case with respect to the assignment or deemed assignment of the Client's Investment Contract resulting from the Merger to the extent the consent of beneficiaries and/or approval of a governmental authority is required by the constituent documents of the trust (or other estate planning vehicle), its Investment Contract or applicable law. All Notices and related materials distributed to Clients shall be in form and substance reasonably acceptable to HNC, and HNC shall be provided a reasonable opportunity to review all the Notices prior to distribution and to have its reasonable comments reflected therein, provided that, in the case of any trust or other estate planning vehicle for which Cumberland does not serve as a trustee (or in a similar fiduciary capacity for such other estate planning vehicle, as applicable), the authority purported to be held by the trustee(s) of the trust (or equivalent fiduciary of such other estate planning vehicle, as applicable) for purposes of providing the consent under its constituent documents and applicable law shall be conclusive (with respect to both notification and consent requirements) absent actual Knowledge of Cumberland to the contrary. Cumberland shall make available to HNC copies of all substantive correspondence between Cumberland and its Clients (or their representatives or counsel) relating to the consent solicitation provided for in this Section 9.

Within 10 days after following the date of this Agreement, Cumberland shall cause all Private Funds and Non-Fund Clients, entered into by Cumberland between the date of this Agreement and the Closing Date ("New Clients"), to be informed of the transactions contemplated by this Agreement. In addition, Cumberland shall request from all Private Fund and Non-Fund Clients, including all existing clients and New Clients, a signed written consent to the transaction contemplated by this Agreement in a form that is reasonably satisfactory to HNC ("Affirmative Consent"). Notwithstanding the terms of this Section 9, Cumberland may seek the consent of a Non-Fund Client who has entered into a Client Contract that does not require a written consent in the form of an implied consent ("Negative Consent") by sending a notice and request-for-consent letter to each relevant client not later than 30 days prior to the Closing in a form that is reasonably satisfactory to HNC. Cumberland shall (a) keep HNC informed of the status of obtaining Affirmative Consents and Negative Consents and (b) deliver to HNC prior to the Closing copies of all Affirmative Consents and make available for inspection the originals of the Affirmative Consents prior to the Closing.

SECTION 10. ADDITIONAL AGREEMENTS.

A. Best Efforts.

Through the Closing Date, Millennium shall, and shall cause all of its subsidiaries, including Cumberland, to use its reasonable best efforts:

1. To obtain consents of all third parties necessary, proper or advisable for the consummation of the transactions contemplated by this Agreement (including without limitation to obtain the agreements necessary to satisfy the conditions to Closing set forth in Section 11 of this Agreement; provided that Cumberland shall not be required to make any unreasonable payment, provide any unreasonable financial accommodation or agree to any unreasonable modification to any contractual arrangement to obtain the consents or certificates; and provided, further, that, without the prior written consent of HNC, Cumberland shall not make, or commit to make, any direct or indirect payment (including without limitation increases in compensation or grants of options or equity) to any Person to enter into employment agreements or to obtain the agreements necessary to satisfy the condition to Closing set forth in this Agreement;
2. Obtain an estoppel certificate from the lessor of Cumberland's principal office and place of business at 614 Landis Avenue, Vineland, NJ; and
3. To provide any notices to third parties required to be provided prior to the Effective Date, including under any Leases or insurance policies.

B. AIMR Compliance.

Cumberland shall provide HNC with all information reasonably necessary to determine the basis upon which Cumberland prepares and presents its performance presentations and shall cooperate with HNC to determine the actions, if any, necessary to cause Cumberland to prepare and present its performance presentation in accordance with AIMR Standards.

C. Other Undertakings by HNC and Millennium.

1. Undertakings of Millennium.
 - a. Shareholder Approval. Millennium shall submit this Agreement to its shareholders for approval at a meeting (the "Millennium Shareholders Meeting") with the recommendation of its Board of Directors to the shareholders to approve this Agreement.

Notwithstanding the foregoing, the Board of Directors of Millennium may withhold its recommendation or withdraw its recommendation to its shareholders only first if (1) the Board of Directors shall be in receipt of a Superior Proposal, as defined below; and (2) the Board of Directors of Millennium shall have determined that the failure to do so, after receipt of written advice of counsel, would constitute a breach of the Millennium directors' fiduciary duty under Pennsylvania Law. Millennium agrees that if the Millennium Board fails to recommend or withdraws its recommendation to its shareholders regarding the Merger, and the shareholders subsequently fail to approve the Merger, the fee provided in Section 13 hereof (\$3,000,000.00) shall be due and payable to HNC.

Superior Proposal means a bona fide written proposal or written offer (other than by another party hereto) for an Acquisition Transaction on terms which the Board of Directors of Millennium concludes in good faith, based upon the advice of its financial advisors and after written advice from outside legal counsel, taking into account all the terms and conditions of the Acquisition Transaction (including any break-up fees, expense reimbursement provisions and conditions to consummation), the legal, financial and regulatory aspects of the proposal, and the person making the proposal, are in the aggregate more favorable to all the shareholders of Millennium than the Merger.

- b. Updated Fairness Opinion. Millennium shall use its reasonable best efforts to obtain written opinion from Sandler O'Neill to the effect that the consideration to be received by shareholders of Millennium pursuant to this Agreement is fair, from a financial point of view, to the shareholders, for inclusion in the Prospectus/Proxy Statement.

2. Undertakings of HNC and Millennium.

- a. Filings and Approvals. HNC and Millennium shall cooperate with each other in the preparation and filing, as soon as practicable, of:
 - (1) The applications required to be filed by any party or an affiliate of any parts to this Agreement;
 - (2) All other documents necessary to obtain any other approvals and consents required to effect consummation of the transactions contemplated by this Agreement.

- b. Public Announcements. HNC and Millennium shall agree upon the form and substance of any press release related to this Agreement and the transactions contemplated hereby, but nothing contained herein shall prohibit either party, following notification to the other party, from making any disclosure which its counsel deems necessary under applicable law.
- c. Maintenance of Insurance. HNC and each HNC subsidiary, and Millennium and each Millennium subsidiary, shall maintain insurance in such amounts as HNC and Millennium, respectively, believe are reasonable to cover risks that are customary in relation to the character and location of its and their respective subsidiaries' properties and the nature of its and their respective subsidiaries' businesses.
- d. Maintenance of Books and Records. HNC and each HNC subsidiary, and Millennium and each Millennium subsidiary, shall maintain books of account and records on a basis consistent with past practice.
- e. Integration Team. HNC and Millennium shall cooperate with each other in the selection of an integration team, made up of an equal number of persons from HNC's senior staff and from Millennium senior staff, which team shall plan and implement an orderly, cost-effective consolidation of Millennium's back room operations presently located in Harleysville, Pennsylvania, into HNC's operations in Harleysville, Pennsylvania.
- f. Outside Service Bureau Contracts. HNC and Millennium shall cooperate with each other, and if mutually agreed in the interest of an order, cost-effective consolidation of operations, terminate any contract or arrangement Millennium or any Millennium subsidiary may have with an outside service bureau or other vendor of services and substitute a contract or arrangement between HNC or any HNC subsidiary (as HNC shall elect) and for the provision of similar services to Millennium or any Millennium subsidiary on terms and conditions mutually acceptable to Millennium and HNC.
- g. In-House Operations. HNC and Millennium shall, subject to applicable legal requirements, cooperate with each other, and if mutually agreed in the interest of an orderly, cost-effective consolidation of operations, terminate any in-house back office, support, processing or other operational activities or services of Millennium or any Millennium subsidiary, including without limitation accounting, loan processing and deposit services, and substitute a contract or arrangement between HNC or any HNC

subsidiary (as HNC shall select) and Millennium for the provision of similar services to Millennium on terms and conditions mutually acceptable to Millennium and HNC.

SECTION 11. CONDITIONS TO THE OBLIGATIONS OF HNC AND MILLENNIUM.

A. Common Conditions.

The obligations of the parties to consummate this Agreement shall be subject to the satisfaction of each of the following common conditions prior to or as of the Closing, except to the extent that any condition shall have been waived, as provided in this Agreement:

1. This Agreement shall have been duly authorized, approved and adopted by the shareholders of Millennium, as required by applicable provisions of the Banking Code, and the required provisions of Millennium's Articles of Incorporation. This Agreement shall have been duly authorized, approved and adopted by HNC, as required by the applicable provisions of the Pennsylvania Business Corporation Law and the applicable provisions of HNC's Articles of Incorporation and the applicable provisions of the rules and requirements of the NASDAQ National Market. This Agreement shall have been duly authorized, approved and adopted by HNC as the sole shareholder of HNB. The parties shall have received all requisite approvals and consents of regulatory authorities and all statutory waiting periods relating to the consents or approvals shall have expired.
2. The parties hereto shall have received all regulatory approvals required in connection with the transactions contemplated by this Agreement and the Merger and all notice periods and waiting periods required after the granting of the approvals shall have passed.
3. No action, suit or proceeding shall be pending or threatened before any federal, state or local court or governmental authority or before any arbitration tribunal which seeks to modify, enjoin or prohibit or otherwise have a Material Adverse Effect on the transactions contemplated by this Agreement.
4. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any governmental authority that prohibits, restricts or makes illegal the consummation of the transactions contemplated by this Agreement.
5. The Registration Statement shall have been filed (the date of which is referred to herein as the "Filing Date") by HNC with the SEC under the

1933 Act, and shall have been declared effective prior to the time the Proxy Statement/Prospectus is first mailed to the shareholders of Millennium, and no stop order with respect to the effectiveness of the registration statement shall have been issued; the HNC Common Stock to be issued pursuant to this Agreement shall be duly registered or qualified under the securities or "blue sky" laws of all states in which action is required for purposes of the initial issuance and the distribution of shares to the shareholders of Millennium entitled to receive shares pursuant to the terms of this Agreement.

6. All other requirements prescribed by law, which are necessary to the consummation of the transactions contemplated by this Agreement, shall have been satisfied.

B. Conditions to Obligations of HNC.

The obligations of HNC to effect the Merger shall be subject to the satisfaction or waiver prior to the Effective Date of the following additional conditions:

1. Each of the representations, warranties and covenants of Millennium contained in this Agreement shall be true and correct in all material respects as of the Effective Date as if made on that date (or on the date when made in the case of any representation or warranty that specifically relates to an earlier date); Millennium shall have performed its covenants and agreements; and (a) HNC shall have received a certificate signed by 2 executive officers of Millennium, dated as of the date of the Closing, to the foregoing effect and (b) HNC shall have received a certificate signed by the Chief Executive Officer of Millennium, dated as of the date of the Closing, to the foregoing effect.
2. The regulatory approvals required in connection with the transaction contemplated by this Agreement shall not have imposed any nonstandard condition or requirement that, in the opinion of the Board of Directors of HNC, renders consummation of the Merger inadvisable.
3. Holders of no more than 8% of the issued and outstanding shares of Millennium (183,339 shares) shall have exercised their statutory appraisal or Dissenters' Rights.
4. HNC shall have received an opinion or opinions, dated as of the Effective Date, from Stevens & Lee, P.C. counsel to Millennium, substantially in the form attached as Exhibit 5 to this Agreement.
5. Since June 30, 2003, there shall not have occurred any Material Adverse Effect with respect to Millennium.

6. No environmental problem of a kind contemplated in Section 5 of this Agreement shall have been discovered that would, or that potentially could, have a Material Adverse Effect.
7. HNC shall have received an opinion from Shumaker Williams, P.C. reasonably satisfactory in form and substance to HNC, dated the Effective Date, to the effect that, on the basis of the facts, representations and assumptions set forth in the opinion, for federal income tax purposes:
 - a. The transactions contemplated by this Agreement will constitute a reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code;
 - b. The Merger will constitute a reorganization within the meaning of Section 368(a) of the Code and HNC, Millennium and HNB will each be a "party to a reorganization" within the meaning of Section 368(b) of the Code;
 - c. No gain or loss will be recognized by HNC, Millennium or HNB as a result of the reorganization; and
 - d. Subject to any limitations imposed under Sections 381 and 382 of the Code, HNB, as the survivor to the Merger, will carry-over and take into account all accounting items and tax attributes of Millennium, including but not limited to earnings and profits, methods of accounting, and tax basis and holding periods of Millennium.

In rendering its opinion, Shumaker Williams, P.C. may require and rely upon (and may incorporate by reference) certain representations of HNC, Millennium or HNB.

8. In connection with the execution of this Agreement, each director and executive officer of Millennium shall have delivered to HNC an executed letter agreement in the form attached hereto as Exhibit 3.
9. HNC shall have received from each director and executive officer of Millennium an executed counterpart of an affiliate's agreement, in the form attached hereto as Exhibit 4.
10. Each of the consents and approvals required to be obtained from counterparties to Contracts with Cumberland (other than Investment Contracts) in order for the Contracts not to be violated, breached, defaulted under, accelerated or terminated by reason of the consummation of the Merger shall have been obtained and shall remain in full force and effect, except for any failures to obtain the foregoing or for any failures of

the foregoing to be in full force and effect which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Cumberland.

11. HNC shall have received:
 - a. All consents and authorizations of landlords and other persons that are necessary to permit the Merger to be consummated without violation of any lease or other agreement to which Millennium is a party or by which any of its properties are bound; and
 - b. Any other certificates and documents that HNC may reasonably request (all of the foregoing certificates and other documents being herein referred to as "Millennium Closing Documents").
12. Since June 30, 2003, there shall not have occurred any Material Adverse Effect with respect to Cumberland.

C. Conditions to the Obligations of Millennium.

The obligations of Millennium to effect the Merger shall be subject to the satisfaction or waiver prior to the Effective Date of the following additional conditions:

1. Each of the representations, warranties and covenants of HNC contained in this Agreement shall be true and correct in all material respects as of the Effective Date as if made on that date (or on the date when made in the case of any representation or warranty that specifically relates to an earlier date); HNC shall have performed its covenants and agreements; and (a) Millennium shall have received a certificate signed by the President and Secretary of HNC, dated as of the date of the Closing, to the foregoing effect and (b) Millennium shall have received a certificate signed by the Chief Executive Officer of HNC, dated as of the date of the Closing, to the foregoing effect.
2. Millennium shall have received an opinion from Stevens & Lee, P.C. reasonably satisfactory in form and substance to Millennium, dated the Effective Date, to the effect that, on the basis of the facts, representations and assumptions set forth in the opinion, for federal income tax purposes:
 - a. The Merger will constitute a reorganization within the meaning of Section 368(a) of the Code and Millennium, HNC and HNB will each be a "party to a reorganization" within the meaning of Section 368(b) of the Code;

- b. No gain or loss will be recognized by Millennium by reason of the Merger (except for amounts resulting from any required change in accounting method);
- c. Millennium shareholders who receive solely HNC Common Stock (plus any cash in lieu of a fractional share interest in HNC Common Stock) for their shares of Millennium Common Stock will not recognize any gain or loss with respect to the HNC Common Stock received in the exchange (except to the extent of any cash received in lieu of a fractional share interest in HNC Common Stock);
- d. Each Millennium shareholder who receives HNC Common Stock and cash (other than cash in lieu of a fractional share interest in HNC Common Stock) for the shareholder's shares of Millennium Common Stock will recognize the gain, if any, realized by the shareholder in the exchange, to the extent of the lesser of (1) the total amount of cash received by such shareholder in the exchange, and (2) the difference between (a) the sum of the amount of cash and the fair market value of the HNC Common Stock received by such shareholder in the exchange, and (b) such shareholder's aggregate tax basis in the shares of Millennium Common Stock surrendered by such shareholder in the exchange. No loss will be recognized by any such Millennium shareholder;
- e. Each Millennium shareholder's aggregate tax basis in any shares of HNC Common Stock received in the Merger (including a fractional share interest in HNC Common Stock deemed received and redeemed) will be the same as the aggregate tax basis of the shares of Millennium Common Stock that the Millennium shareholder surrendered in exchange therefore, decreased by the amount of any cash received by the shareholder in the exchange and increased by the amount of income or gain (excluding such income, if any, that is treated as a dividend) that is recognized by the shareholder in the exchange;
- f. Each Millennium shareholder's holding period in shares of HNC Common Stock received in the Merger (including a fractional share interest in HNC Common Stock deemed received and redeemed) will, in each instance, include the period during which the shares of Millennium Common Stock surrendered in exchange therefore were held, provided that the Millennium Common Stock is held as a capital asset on the Effective Date; and
- g. The payment of cash in lieu of fractional share interests of Millennium Common Stock will be treated as if the fractional

shares were distributed as part of the exchange and then redeemed by HNC. Such cash payments will be treated as having been received as distributions in full payment in exchange for the stock redeemed, as provided in Code Section 302(a). Gain or loss will be realized and recognized in an amount equal to the difference between the redemption price and the basis of the fractional share of HNC Common Stock deemed surrendered therefore.

In rendering their opinion, Stevens & Lee, P.C. may require and rely upon (and may incorporate by reference) certain representations of HNC, Millennium or HNB.

3. Millennium shall have received an opinion, dated as of the Effective Date, from Shumaker Williams, P.C., counsel to HNC, substantially in the form attached as Exhibit 6 to this Agreement.
4. Since June 30, 2003, there shall not have occurred any Material Adverse Effect with respect to HNC.

SECTION 12. TERMINATION.

This Agreement and the Merger Agreement may be terminated, and the Merger abandoned, at any time prior to the Effective Date, whether before or after the receipt of required approvals only if one or more of the following events shall occur:

- A. By the mutual written consent of the parties hereto;
- B. By Millennium, if Millennium provides written notice to HNC that there has been a material breach of any obligation of HNC contained herein and the breach has not been remedied within 30 days after receipt by HNC of written notice specifying the nature of the breach and requesting that it be remedied, (2) any condition in Section 11 to Millennium's obligations hereunder has not been satisfied prior to or as of the Closing or an earlier date, as may be specified, or (3) (a) the average of the closing sales prices of HNC Common Stock, as reported on the NASDAQ National Market, for the 10 consecutive trading days ending 2 trading days prior to Closing (the "HNC Market Value") is less than 80% of the closing sales price of HNC Common Stock ending on the trading day immediately following public announcement of the Merger and (b) the quotient obtained by dividing the HNC Market Value by the closing sales price of HNC Common Stock ending on the trading day immediately following public announcement of the Merger is less than the number obtained when .20 is subtracted from the quotient obtained by dividing the Closing Price of the NASDAQ Bank Index on the trading day ending 2 days prior to Closing used in determining the HNC Market Value by the Closing Price of the NASDAQ Bank Index on the trading day immediately following the public announcement of the Merger.

- C. By HNC, if (1) by written notice to Millennium that there has been a material breach of any obligation of Millennium contained herein and the breach has not been remedied within 30 days after receipt by Millennium of written notice specifying the nature of the breach and requesting that it be remedied or (2) by written notice to Millennium that any condition in Section 11 to HNC's obligations hereunder has not been satisfied prior to or as of the Closing or an earlier date as may be specified;
- D. By HNC or Millennium, if the Closing shall not have occurred on or prior to August 1, 2004, unless the failure of the occurrence shall be due to the failure of the party seeking to terminate this Agreement to perform or observe its agreements as set forth in this Agreement required to be performed or observed by the party on or before the Closing; provided, however, that the date may be extended by the written agreement of the parties; or
- E. By HNC, if the conditions set forth in Section 11 are unable to be fulfilled as a result of HNC's inability to obtain necessary regulatory approvals and consents by July 1, 2003.

SECTION 13. EFFECT OF TERMINATION.

A. Effect.

In the event of termination of this Agreement as provided above, this Agreement shall immediately become null and void and the transactions contemplated in the Agreement shall be abandoned, except that the provisions relating to brokers (Sections 6 and 9), limited liability (Section 13), confidentiality (Sections 13 and 15), publicity (Section 23), and expenses (Section 14) of this Agreement shall survive.

B. Limited Liability.

The termination of this Agreement in accordance with the terms of Section 12 shall create no liability on the part of any party, or on the part of any party's directors, officers, shareholders, agents or representatives, except that, if this Agreement is terminated pursuant to Section 12, the breaching party shall be liable to the nonbreaching party for all costs or liability that may be pursued and found, as a matter of law or in equity, including but not limited to, reasonable out-of-pocket costs and expenses reasonably incurred by the nonbreaching party in connection with the preparation, execution and consummation of this Agreement, and including the fees of its or their counsel, accountants, consultants and other representatives.

C. Confidentiality.

In the event of the termination of this Agreement, neither HNC, HNB nor Millennium shall use or disclose to any other person any confidential information obtained by it during the course of its investigation of the other party or parties.

D. Expenses; Termination Fee.

Notwithstanding any provision in this Agreement to the contrary, in order to induce HNC and HNB to enter into this Agreement and as a means of compensating HNC and HNB for the substantial direct and indirect monetary and other damages and costs contemplated hereby, in the event that the Board of Directors of Millennium (1) shall be in receipt of an offer to engage in any Acquisition Transaction with a Person other than HNC or a HNC affiliate (a "Third party Offer") and (2) the Board of Directors of Millennium shall (i) withhold or withdraw its recommendation of the transactions contemplated by this Agreement, or (ii) shall have recommended that the shareholders of Millennium approve or accept any Third party Offer or (3) Millennium enters into an Acquisition Transaction at any time before September 30, 2004 (a "HNC Termination Event"), Millennium hereby covenants and agrees to pay HNC, and HNC shall be entitled to the payment of a fee of \$3,000,000, as liquidated damages to reimburse HNC for the reasonable costs and expenses (including, without limitation attorneys fees and costs) associated with the negotiation and preparation of this Agreement, (the "Fee") upon the occurrence of a HNC Termination Event. The parties acknowledge that the actual amount of damages and costs would be impracticable or extremely difficult to determine, and that the sum of the Fee constitutes a reasonable estimate by the parties under the circumstances existing, at the date of this Agreement, of the damages and costs. The payment shall be made to HNC in immediately available funds within 5 business days after the occurrence of a HNC Termination Event. For purposes of this Section 13, "Acquisition Transaction" shall mean (i) a merger, consolidation, or any similar transaction, involving Millennium, (ii) a purchase, lease or other acquisition of all or a substantial portion of the assets or liabilities of Millennium or (iii) a purchase or other acquisition (including by way of share exchange, tender offer, exchange offer or otherwise) of at least 15% interest in any class or series of equity securities of Millennium.

SECTION 14. EXPENSES.

Each party hereto will bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby in the event of termination of this Agreement pursuant to Section 12 and this Agreement shall thereafter become void and there shall be no liability on the part of any party hereto or their respective officers or directors, except as provided in Sections 13 and 21 hereof.

SECTION 15. CONFIDENTIALITY.

Any non-public or confidential information disclosed by Millennium, HNC or by HNB pursuant to this Agreement or as a result of the discussions and negotiations leading to this Agreement, or otherwise disclosed, or to which any other party has acquired or may acquire access, and indicated (either expressly, in writing or orally, or by the context of the disclosure or access) by the disclosing party to be non-public or confidential, or which by the context thereof reasonably appears to be non-public or confidential, shall be kept strictly confidential and shall not be used in any manner by the recipient except in connection with the transactions contemplated by this Agreement. To that end, the parties hereto will each, to the maximum extent practicable, restrict knowledge of and access to non-public or confidential information of the other party to its officers, directors, employees and professional advisors who are directly involved in the transactions contemplated hereby and reasonably need to know the information. Further to that end, all non-public or confidential documents (including all copies thereof) obtained or created hereunder by any party shall be returned, as soon as practicable after any termination of this Agreement.

SECTION 16. SURVIVAL.

The representations and warranties set forth in this Agreement shall be deemed to have been relied upon by the party to whom they are made and shall survive Closing. All covenants and duties that relate to a time after closing, shall survive Closing and all other covenants and duties that do not relate to a time after Closing shall not survive Closing. No investigation made by or on behalf of either party shall affect the representations and warranties made pursuant to this Agreement.

SECTION 17. EMPLOYEES.

- A. Subject to HNC's usual personnel and qualification policies, HNC will endeavor to continue the employment of all current employees of Millennium or any Millennium subsidiary in positions that will contribute to the successful performance of the combined organization. More specifically, HNC will, after consultation with David E. Sparks and David R. Kotok, prior to or soon after the Closing Date, inform each Millennium employee of the likelihood of the employee having continued employment with HNC, HNB or any other HNC subsidiary following the Closing, and will permit any Millennium employee to apply for any employment position posted as available with HNC, HNB or any other HNC subsidiary. HNC will give any Millennium applicant priority consideration. For non-customer contact employees, where there is a coincidence of responsibilities, HNC will try to reassign the affected individual to a needed position that uses the skills and abilities of the individual. If that is impracticable or if HNC elects to eliminate a position, HNC will make severance payments to

the displaced employee as set forth in this Section. All Millennium customer contact employees will be offered employment in their current positions.

- B. HNC will grant an eligible employee a minimum of 1 month of severance pay (at his then current pay rate).
- C. All employees of Millennium or of any Millennium subsidiary on the date of this Agreement will be eligible for severance benefits set forth in this Section, except that:
 - 1. No employee of Millennium or of any Millennium subsidiary who shall receive any payment or benefit pursuant to any "change in control" agreement or similar plan or right shall be eligible for any severance benefits;
 - 2. No employee of Millennium or of any Millennium subsidiary with an operating systems conversion support role of any kind shall be eligible for any severance benefits unless the employee continues in employment for 30 days following the actual consolidation and conversion of Millennium's operating systems with and into HNC's operating systems, which, as of the date of this Agreement, is scheduled to be completed not later than 60 days after the Effective Date;
 - 3. No employee of Millennium or of any Millennium subsidiary who receives and turns down any two job offers of equal or higher salary grade at a location within a 25-mile radius of the employee's home shall be eligible for any severance benefits.
- D. Each person eligible for severance benefits will remain eligible for benefits, if his or her employment is terminated, other than for "cause," within 6 months after the Effective Date. Any person whose employment with HNC or any HNC subsidiary is terminated without "cause" after 6 months from the Effective Date shall receive severance benefits from HNC or an HNC subsidiary, as is provided for in HNC's general severance policy for terminations (with full credit being given for each year of service with Millennium or any Millennium subsidiary).
- E. For purposes of this Section 4.07(c)(ii), "cause" means the employer's good faith reasonable belief that the employee (1) committed fraud, theft or embezzlement; (2) falsified corporate records; (3) disseminated confidential information concerning customers, HNC, any HNC Subsidiary or any of its or their employees in violation of any applicable confidentiality agreement or policy; (4) had documented unsatisfactory job performance under HNC's dismissal policy; or (5) violated HNC's Code of Conduct. The foregoing definition of "cause" is the definition of "cause" used by HNC and its Subsidiaries in the ordinary course of its business.

- F. In accordance with HNC's usual personnel policies, HNC shall establish, for each employee of Millennium or of any Millennium Subsidiary who becomes an employee of HNC or any HNC Subsidiary, an annual review date based on the original hire date of that person by Millennium or a Millennium Subsidiary. This review date shall be in lieu of the current annual Millennium review date. In order to transition employees to the HNC annual review system in a fair and equitable manner, HNC shall adjust the first pay increases for any transitioned employees in proportion (rounded off to the nearest month) to the time that the HNC review date is advanced, or postponed, for such employees from the Millennium annual review date, all as has been heretofore disclosed to Millennium.

SECTION 18. EMPLOYEE BENEFITS.

- A. As of the Effective Date, each employee of Millennium or of any Millennium subsidiary who becomes an employee of HNC or of any HNC subsidiary shall be entitled to full credit for each year of service with Millennium or the Millennium Subsidiary for purposes of determining eligibility for participation and vesting, but not benefit accrual, in HNC's, or as appropriate, in the HNC Subsidiary's, employee benefit plans, programs and policies. HNC shall use the original date of hire by Millennium or a Millennium Subsidiary in making these determinations.
- B. The employee benefits provided to former employees of Millennium or a Millennium subsidiary after the Effective Date shall be no less favorable than the employee benefits, in the aggregate, provided by HNC or its subsidiaries to their similarly situated employees. The medical, dental and life insurance plans, programs or policies, if any, that become applicable to former employees of Millennium or any Millennium subsidiary shall not contain any exclusion or limitation with respect to any pre-existing condition of any such employees or their dependents.
- C. Subject to the other provisions of this Agreement, after the Effective Date, HNC may discontinue, amend, convert to, or merge with, an HNC or HNC subsidiary plan any Millennium Benefit Plan, subject to the plan's provisions and applicable law.

SECTION 19. ELECTION OF HNC DIRECTORS.

Upon consummation of the Merger and subject to compliance with all applicable legal requirements, HNC shall elect the Millennium Nominee (selected pursuant to Section 1(E) hereof) as a director of HNC, effective the Effective Date, to serve as a Class A director, which class serves until 2007.

G. Anti-Money Laundering Regulation.

Since December 31, 1999, Cumberland has been in compliance with all requirements applicable to it regarding anti-money laundering and anti-terrorist rules and regulations, including the applicable provisions of the Bank Secrecy Act, as amended by the USA PATRIOT Act, and the rules and regulations thereunder (including all rules and regulations adopted by any self regulatory organizations).

H. AIMR Compliance.

Cumberland prepares and presents its investment performance record in accordance with the guidelines of the Association of Investment Management and Research, prepares and presents its performance record in accordance with the AIMR Performance Presentation Standards AIMR-PPSTM Amended and Restated as the AIMR-PPS(R) Standards, as currently in effect and published by the Association for Investment Management and Research (including any recommendations contained in the Standards) ("AIMR Standards"). Any composite performance presentations presented by Cumberland complies with all the composite construction requirements of the AIMR-PPS(R) Standards and Cumberland's processes and procedures were designed to calculate and present performance results in compliance with the AIMR-PPS(R) Standards for the specified periods.

I. Assets Under Management.

The assets under management of Cumberland shall equal or exceed \$500 million; provided, however, that changes in the above amount shall not include variations of assets under management due to changes in interest rates and general financial market conditions.

SECTION 7. COVENANTS OF HNC.

From the date of this Agreement until the Effective Date, HNC covenants and agrees to do the following:

A. Best Efforts.

HNC shall cooperate with Millennium and shall use its best efforts to do or cause to be done all things necessary or appropriate on its part in order to fulfill the conditions precedent set forth in Section 11 of this Agreement and to consummate the Merger. In particular, without limiting the generality of the foregoing sentence, HNC agrees to do the following:

1. Applications for Regulatory Approval. HNC shall promptly prepare and file, with the cooperation and assistance of Millennium, all required

applications for regulatory approval of the transactions contemplated by this Agreement.

2. **Registration Statement.** HNC shall promptly prepare, with the cooperation and assistance of Millennium, and file with the SEC, a registration statement under the 1933 Act (the "Registration Statement") for the purpose of registering the shares of HNC Common Stock to be issued under the provisions of this Agreement. HNC may rely upon all information provided to it by Millennium in this connection and HNC shall not be liable for any untrue statement of a material fact or any omission to state a material fact in the Registration Statement or in the Proxy Statement/Prospectus that is prepared as a part thereof, if the statement is made by HNC in reliance upon any information provided to HNC by Millennium or by its agents and representatives. HNC will advise Millennium, after it receives notice thereof, of the time when the Registration Statement or any Pre- or Post-Effective Amendment becomes effective or any supplement or amendment has been filed.
3. **State Securities Laws.** HNC, with the cooperation of Millennium, shall promptly take all actions, necessary or appropriate, to comply with the applicable securities laws of any state having jurisdiction over the transactions contemplated by this Agreement.

B. Financial Disclosures.

Each Quarterly Report on Form 10-Q and any Annual Report on Form 10-K filed by HNC between the date of this Agreement and the Effective Date shall fairly present the consolidated financial position, assets, liabilities and results of operations of HNC at their respective dates and for the respective periods then ended, and be prepared in accordance with GAAP consistently applied, except as otherwise noted in a footnote thereto.

C. Update Schedule.

HNC shall promptly disclose to Millennium in writing any change, addition, deletion or other modification to the information set forth in the schedules to this Agreement. Notwithstanding the foregoing, disclosures made subsequent to the date of this Agreement shall not relieve HNC from any and all liabilities for prior statements and disclosures to Millennium.

D. Notice.

HNC shall promptly notify Millennium in writing of any actions, claims, investigations or other developments which, if pending or in existence on the date of this Agreement, would have been required to be disclosed to Millennium in order to ensure

the accuracy of the representations and warranties set forth in this Agreement or which otherwise could have a Material Adverse Effect.

E. Laws, Rules, Etc.

HNC shall comply in all material respects with and perform all obligations and duties imposed upon it by all federal and state laws and all rules, regulations and orders imposed by federal or state governmental authorities, except where failure to do so will not result in a Material Adverse Effect.

F. Approval.

As the sole shareholder of HNB, HNC will vote to approve this Agreement and the Merger.

G. Tax Matters.

HNC shall not take any action that would result in the failure of the transactions contemplated in this Agreement to qualify as a tax-free reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code.

SECTION 8. COVENANTS OF MILLENNIUM.

From the date of this Agreement until the Effective Date, Millennium covenants and agrees to do the following:

A. Conduct of Business.

Except as otherwise consented to by HNC, in writing, and except as otherwise permitted in this Agreement, Millennium shall, from the date of this Agreement until the Effective Date:

1. Use all reasonable efforts to carry on its business in, and only in, the ordinary course of business consistent with its past customary business practices;
2. Use all reasonable efforts to preserve its present business organization, to retain the services of its present officers and employees, to maintain good relationships with its employees, and to maintain its relationships with customers, suppliers and others having business dealings with Millennium;
3. Maintain all of Millennium's structures, equipment and other real property and tangible personal property in good repair, order and condition, except for ordinary wear and tear and damage by unavoidable casualty;

4. Use all reasonable efforts to preserve or collect all claims and causes of action belonging to Millennium;
5. Keep in full force and affect all insurance policies now carried by Millennium;
6. Perform in all respects Millennium's obligations under all agreements, contracts, instruments and other commitments to which it is a party or by which it may be bound or which relate to or affect its properties, assets and business except where failure to do so would not have a Material Adverse Effect;
7. Maintain its books of account, financial statements and other financial records in accordance with GAAP;
8. Comply, in all material respects, with and perform all obligations and duties imposed upon it by all federal and state laws and all rules, regulations and orders imposed by federal or state governmental authorities, except where failure to do so will not result in a Material Adverse Effect;
9. Not amend Millennium's Articles of Incorporation or Bylaws, except as provided by this Agreement;
10. Not enter into or assume any material contract, incur any material liability or obligation, make any material commitment, acquire or dispose of any property or asset or engage in any transaction or subject any of Millennium's properties or assets to any material lien, claim, charge, or encumbrance of any kind whatsoever;
11. Not take or permit to be taken any action that would constitute a breach of any representation, warranty or covenant set forth in this Agreement;
12. Not declare, set aside or pay any dividend or make any other distribution in respect of Millennium Common Stock;
13. Not authorize, purchase, issue, transfer or sell (or authorize, issue or grant options, warrants or rights to purchase or sell, other than as a result of the exercise of Millennium Options or Warrants issued prior to the date of this Agreement) any shares of Millennium Common Stock or any other equity or debt securities of Millennium or any securities convertible into Millennium Common Stock;
14. Not increase the rate of compensation of, pay a bonus or severance compensation to, or enter into any employment, severance, deferred

compensation or other agreement with any officer, director, employee or consultant of Millennium except normal individual increases in compensation, and/or payments of incentive compensation and/or bonuses, to employees in accordance with established employee plans, policies and/or procedures of Millennium in the ordinary course of business and consistent with customary past practice, as the case may be;

15. Not enter into any related party transaction except related party transactions relating to extensions of credit, made in accordance with all applicable laws, regulations and rules and in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable arm's length transactions with other Persons that do not involve more than the normal risk of collectability or present other unfavorable features;
16. Not change the presently outstanding number of shares or effect any capitalization, reclassification, stock dividends, stock split or like change in capitalization;
17. Not enter into or substantially modify (except as may be required by applicable law) any pension, retirement, stock option, stock warrant, stock purchase, stock appreciation right, savings, profit sharing, deferred compensation, severance, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, or plan or arrangement, or any trust agreement related thereto, in respect to any of its directors, officers, or other employees;
18. Not liquidate, merge with or into, or consolidate with, or be purchased or acquired by, any other corporation, financial institution, entity, or Person (or agree to any merger, consolidation, affiliation, purchase or acquisition) or permit (or agree to permit) any other corporation, financial institution, entity or Person to be merged with it or consolidate or affiliate with any other corporation, financial institution, entity or Person; acquire control over any other firm, financial institution, corporation or organization or create any subsidiary; acquire, lease, sell, convey, transfer or dispose (or agree to acquire, liquidate, sell or dispose) in any way any assets or any rights thereof of Millennium to any party other than HNC or an affiliate of HNC, other than in the ordinary course of business and consistent with prior practice unless the failure to do so shall, in the good faith judgment of the Board of Directors, after receipt of written advice of counsel, constitute a breach of fiduciary duty by Millennium's directors under Pennsylvania law;
19. Not, directly or indirectly, or cause its Representatives (as defined below) to, solicit or encourage inquiries or proposals with respect to, furnish any information relating to, initiate, engage in discussions or participate in any

negotiations concerning any acquisition or purchase of all or a substantial equity interest or portion of the assets in or of Millennium or any business combination with Millennium other than as contemplated by this Agreement, or concerning the fact of, or the terms and conditions of, this Agreement or authorize or permit any officer, director, employee, agent, consultant, counsel, affiliate or other representative ("Representative") of it to do any of the above (except that Millennium officers may respond to inquiries from regulatory authorities and holders of Millennium Common Stock in the ordinary course of business); or fail to notify HNC immediately if any inquiries or proposals are received by, any information is requested from, or any negotiations are sought to be initiated with Millennium; provided, however, that Millennium may respond to an unsolicited, bona fide, written offer, if the directors of Millennium have determined in good faith, after receipt of written advice of counsel, that the failure to respond would constitute a breach of the Millennium directors' fiduciary duty under Pennsylvania law;

20. Not change any method, practice or principle of accounting except as may be required by GAAP or any applicable regulation;
21. Not make any loan or other credit facility commitment (including, without limitation, lines of credit and letters of credit) to any affiliate or compromise, expand, renew or modify any outstanding commitment;
22. Amend or otherwise modify its underwriting and other lending guidelines and policies in effect as of the date hereof or otherwise fail to conduct its lending activities in the ordinary course of business consistent with past practice;
23. Enter into any interest rate swap, floor or cap or similar commitment, agreement or arrangement;
24. Not waive, release, grant or transfer any rights of value or modify or change in any material respect any existing agreement to which Millennium is a party, other than in the ordinary course of business consistent with past practice and subject to the limitations set forth in this Agreement;
25. Not take any action that would result in the failure of the transactions contemplated in this Agreement to qualify as a tax-free reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code;
26. Not sell, exchange, or otherwise dispose of any investment securities or loans that are held for sale, prior to scheduled maturity or other than in the ordinary course of business;

27. Not knowingly take any action that would, under any statute, regulation or administrative practice of any regulatory agency, materially or adversely affect the ability of any part, to this Agreement to obtain any required approvals for consummation of the transaction;
28. Not agree to any of the foregoing items (9) through (27).

B. Best Efforts.

Millennium shall cooperate with HNC and shall use its best efforts to do or cause to be done all things necessary or appropriate on its part in order to fulfill the conditions precedent set forth in Section 11 of this Agreement and to consummate this Agreement. In particular, without limiting the generality of the foregoing sentence, Millennium shall:

1. Cooperate with HNC in the preparation of all required applications for regulatory approval of the transactions contemplated by this Agreement and in the preparation of the Registration Statement; and
2. Cooperate with HNC in making Millennium's employees reasonably available for training by HNC prior to the Effective Date, to the extent that training is deemed reasonably necessary by HNC.

C. Access to Properties and Records.

Millennium shall afford to the officers and authorized representatives of HNC access to properties, books and records pertaining to Millennium in order that HNC may have full opportunity to make reasonable investigations at reasonable times as it shall desire, of the properties, books, contracts, documents and records of Millennium, and the officers of Millennium will furnish HNC with additional financial and operating data, including test tapes, and other information as to its business and properties as HNC shall from time to time reasonably request and as shall be available, including, without limitation, information required for inclusion in all governmental applications necessary to effect the Merger. Nothing in this paragraph shall be deemed to require Millennium to breach any obligation of confidentiality, provided, however, that Millennium shall use its best efforts to obtain waivers from any third party of compliance with any obligation to the extent reasonably requested by HNC. HNC shall maintain the confidentiality of all information furnished to it by Millennium pursuant to this Section 6(c) and if the transactions contemplated by this Agreement are not consummated for any reason, HNC agrees, at the option of Millennium, either to return all the information and any copies thereof, including any extracts from the information or memoranda relating to the information prepared by HNC, or to destroy all the information.

D. Board and Committee Minutes.

Millennium shall provide to HNC within 10 days after any meeting of the Board of Directors, or any committee thereof, or any senior or executive management committee, a copy of the minutes of the meeting.

E. Update Schedule.

Millennium shall promptly disclose to HNC in writing any change, addition, deletion or other modification to the information set forth in the schedules to this Agreement. Notwithstanding the foregoing, disclosures made subsequent to the date of this Agreement shall not relieve Millennium from any and all liabilities for prior statements and disclosures to HNC.

F. Notice.

Millennium shall promptly notify HNC in writing of any actions, claims, investigations, proceedings or other developments which individually or in the aggregate, if pending or in existence on the date of this Agreement, would have been required to be disclosed to HNC in order to ensure the accuracy of the representations and warranties set forth in this Agreement or which otherwise could have a Material Adverse Effect.

G. Affiliate Letters.

Millennium shall deliver or cause to be delivered to HNC, at or before the Closing, a letter or agreement from each officer, director and shareholder of Millennium, who may be deemed to be an "affiliate" (as that term is defined for purposes of Rules 145 and 405 promulgated by the SEC under the 1933 Act) of Millennium, in form attached hereto as Exhibit 3, under the terms of which each officer, director or shareholder acknowledges and agrees to abide by all limitations imposed by the 1933 Act and by all rules, regulations and releases promulgated thereunder with respect to the sale or other disposition of the shares of HNC Common Stock to be received by the Person pursuant to this Agreement.

H. Distributions and Dividends.

Millennium shall not declare or pay any cash dividend or make any distributions to shareholders without the express, written approval of HNC.

I. Press Releases.

Millennium shall not issue any press release related to this Agreement or the transactions contemplated hereby as to which HNC has not given its prior written consent, and shall consult with HNC as to the form and substance of other public disclosures related thereto; provided, however, that nothing contained herein shall